07

Consolidated and individual financial statements

7. CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

GRI 201-1

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2022 (Euros)

		Group		Company	
		31.12.2021	31.12.2022	31.12.2021	31.12.2022
ASSETS					
Non-current assets					
Tangible fixed assets	5	296,287,578	303,205,780	223,537,166	211,273,202
Investment properties	7	6,327,424	6,183,979	6,327,424	6,183,979
Intangible assets	6	63,507,247	69,408,609	28,252,438	33,238,829
Goodwill	9	81,471,314	80,256,739	—	—
Investments in subsidiary companies	10	—	—	271,702,900	295,250,006
Investments in associated companies	11	481	481	—	—
Investments in joint ventures	12	17,992	—	—	—
Other investments	13	311,684	961,394	6,394	6,394
Group Companies	53	—	—	52,530,000	50,430,000
Accounts receivable	19	—	—	587,308	617,421
Financial assets at fair value through profit or loss	15	2,261,947	26,219,905	—	—
Debt securities at fair value through other comprehensive income	14	4,906,841	—	—	—
Debt securities at amortized cost	14	294,986,658	409,388,745	—	—
Other non-current assets	24	1,772,136	1,177,648	1,144,290	463,657
Credit to banking clients	20	1,125,984,322	1,287,676,223	—	—
Other banking financial assets	16	5,237,710	961,446	—	—
Deferred tax assets	52	87,255,087	67,823,608	83,416,006	62,844,558
Total non-current assets		**1,970,328,421**	**2,253,264,557**	**667,503,928**	**660,308,046**
Current assets					
Inventories	18	6,872,274	8,040,976	6,445,041	6,963,458
Accounts receivable	19	160,930,050	147,130,876	112,775,176	98,063,438
Credit to banking clients	20	415,924,171	489,888,789	—	—
Group Companies	53	—	—	7,437,805	305,671
Income taxes receivable	38	8,268	1,102,700	—	2,244,123
Prepayments	21	8,725,934	9,011,875	4,764,138	4,346,353
Financial assets at fair value through profit or loss	15	24,999,138	26,478,525	—	—
Debt securities at fair value through other comprehensive income	14	1,188,069	—	—	—
Debt securities at amortized cost	14	39,173,861	128,391,899	—	—
Other current assets	24	68,848,382	76,482,423	47,365,141	33,100,526
Other banking financial assets	16	9,721,536	461,226,081	—	—
Cash and cash equivalents	23	877,872,696	456,469,298	189,794,106	330,100,458
		1,614,264,379	1,804,223,442	368,581,407	475,124,026
Non-current assets held for sale	22	605,798	200	—	—
Total current assets		**1,614,870,177**	**1,804,223,642**	**368,581,407**	**475,124,026**
Total assets		**3,585,198,598**	**4,057,488,199**	**1,036,085,335**	**1,135,432,072**
EQUITY AND LIABILITIES					
Equity					
Share capital	26	75,000,000	72,675,000	75,000,000	72,675,000
Own shares	27	(6,404,963)	(10,826,390)	(6,404,963)	(10,826,390)
Reserves	27	67,078,351	53,844,057	67,051,605	53,844,057
Retained earnings	27	43,904,074	64,647,067	43,926,574	64,452,619
Other changes in equity	27	(43,998,612)	6,857,207	(43,942,681)	6,379,500
Net profit		38,404,113	36,406,519	37,680,272	37,307,258
Equity attributable to equity holders		173,982,963	223,603,460	173,310,807	223,832,044
Non-controlling interests	30	563,106	1,326,016	—	—
Total equity		**174,546,069**	**224,929,476**	**173,310,807**	**223,832,044**
Liabilities					
Non-current liabilities					
Accounts payable	34	—	—	309,007	309,007
Medium and long term debt	31	149,336,438	136,197,923	112,714,883	85,259,168
Employee benefits	32	260,805,742	185,257,617	258,892,489	183,936,635
Provisions	33	14,679,520	12,632,267	10,469,392	5,716,377
Debt securities issued at amortized cost	35	277,760,616	445,226,206	—	—
Prepayments	21	272,087	260,886	272,088	260,885
Deferred tax liabilities	52	2,427,513	9,847,476	2,342,255	2,150,912
Total non-current liabilities		**705,281,916**	**789,422,375**	**385,000,114**	**277,632,984**
Current liabilities					
Accounts payable	34	350,304,332	525,211,751	312,508,476	483,771,541
Banking clients' deposits and other loans	36	2,121,511,345	2,245,329,918	—	—
Group Companies	53	—	—	23,551,847	13,244,406
Employee benefits	32	21,090,144	22,091,681	21,062,563	22,064,174
Income taxes payable	38	11,611,897	—	9,705,744	—
Short term debt	31	51,783,012	59,756,744	34,942,393	42,948,290
Financial liabilities at fair value through profit or loss	15	—	26,344,517	—	—
Debt securities issued at amortized cost	35	35,137	351,654	—	—
Prepayments	21	3,452,240	3,678,140	2,520,645	3,071,642
Other current liabilities	37	118,594,781	114,161,276	73,482,746	68,866,991
Other banking financial liabilities	16	26,987,725	46,210,667	—	—
Total current liabilities		**2,705,370,613**	**3,043,136,348**	**477,774,414**	**633,967,044**
Total liabilities		**3,410,652,529**	**3,832,558,723**	**862,774,528**	**911,600,028**
Total equity and liabilities		**3,585,198,598**	**4,057,488,199**	**1,036,085,335**	**1,135,432,072**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL INCOME STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2022

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Sales and services rendered	4/41	757,727,347	788,581,734	209,241,453	209,276,291	475,056,506	466,029,627	124,330,222	123,644,627
Financial margin	42	55,776,365	74,357,391	15,329,231	20,857,337		—	—	—
Other operating income	43	34,366,502	43,685,870	10,413,590	13,700,924	51,729,627	52,980,104	13,831,497	14,634,458
		847,870,214	906,624,995	234,984,274	243,834,552	526,786,133	519,009,731	138,161,719	138,279,085
Cost of sales	18	(26,214,696)	(46,905,936)	(12,345,420)	(11,358,795)	(19,955,770)	(18,434,842)	(6,479,027)	(5,714,808)
External supplies and services	44	(330,550,693)	(343,216,032)	(92,715,390)	(92,099,588)	(133,173,920)	(136,950,803)	(37,457,769)	(35,846,440)
Staff costs	45	(358,012,815)	(358,237,092)	(90,330,540)	(92,104,291)	(298,137,445)	(286,335,789)	(74,006,304)	(72,919,915)
Impairment of accounts receivable, net	46	(2,614,663)	(3,892,122)	(915,923)	(1,101,068)	(1,115,625)	(1,237,446)	(227,952)	(528,634)
Impairment of non-depreciable assets	12	(2,193,233)	—	(2,193,233)	—	(2,193,233)	—	(2,193,233)	—
Impairment of other financial banking assets	46	(14,050,228)	(24,772,102)	(4,283,833)	(7,607,607)	—	—	—	—
Provisions, net	33	3,886,116	448,929	2,589,065	(2,147,921)	3,039,668	3,063,907	1,782,974	(213,857)
Depreciation/amortization and impairment of investments, net	47	(58,006,442)	(68,413,148)	(14,792,627)	(20,339,956)	(39,516,410)	(44,433,236)	(9,771,655)	(13,663,996)
Net gains/(losses) of assets and liabilities at fair value through profit or loss	15/48	1,101,005	11,110,025	1,101,005	(1,161,505)	—	—	—	—
Net gains/(losses) of other financial assets at fair value through other comprehensive income	48	—	(1,486)	—	(1,486)	—	—	—	—
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	48	17,776,526	—	—	—	—	—	—	—
Other operating costs	49	(18,075,662)	(20,187,292)	(4,762,991)	(5,095,301)	(9,648,982)	(10,604,283)	(2,798,222)	(2,879,088)
Gains/losses on disposal/ remeasurement of assets	50	956,539	3,568,276	50,661	2,292,192	987,331	3,700,990	30,290	2,279,037
		(785,998,246)	(850,497,980)	(218,599,226)	(230,725,326)	(499,714,386)	(491,231,503)	(131,120,898)	(129,487,701)
		61,871,968	**56,127,015**	**16,385,048**	**13,109,226**	**27,071,746**	**27,778,228**	**7,040,821**	**8,791,385**
Interest expenses	51	(8,532,413)	(9,256,346)	(2,145,911)	(2,324,492)	(7,167,982)	(7,456,104)	(1,790,091)	(1,810,926)
Interest income	51	25,394	30,127	10,301	16,213	852,226	1,337,480	263,582	523,630
Gains/losses in subsidiary, associated companies and joint ventures	10/11/12	(2,557,449)	(186,962)	(878,612)	10,860	22,068,979	18,791,995	6,509,158	2,784,731
		(11,064,468)	(9,413,181)	(3,014,222)	(2,297,419)	15,753,223	12,673,372	4,982,649	1,497,435
Earnings before taxes		**50,807,500**	**46,713,834**	**13,370,827**	**10,811,807**	**42,824,969**	**40,451,600**	**12,023,472**	**10,288,820**
Income tax for the period	52	(12,216,197)	(10,371,649)	(1,217,133)	(2,751,515)	(5,144,697)	(3,144,342)	(890,126)	(2,193,381)
Net profit for the period		**38,591,303**	**36,342,185**	**12,153,694**	**8,060,292**	**37,680,272**	**37,307,258**	**11,133,346**	**8,095,439**
Net profit for the period attributable to:									
Equity holders		38,404,113	36,406,519	12,095,451	8,100,659	—	—	—	—
Non-controlling interests	30	187,190	(64,334)	58,243	(40,367)	—	—	—	—
Earnings per share:	29	**0.26**	**0.25**	**0.08**	**0.06**	**0.25**	**0.25**	**0.07**	**0.06**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED AND INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2022

Euros

		Group				Company			
	NOTES	Twelve months ended		Three months ended		Twelve months ended		Three months ended	
		31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Net profit for the period		**38,591,303**	**36,342,185**	**12,153,694**	**8,060,292**	**37,680,272**	**37,307,258**	**11,133,346**	**8,095,439**
Adjustments from application of the equity method (non re-classifiable adjustment to profit and loss)	27	22,345	(4,678)	3,095	(76,091)	55,224	502,214	73,557	95,660
Changes to fair value reserves	27	(56,584)	(26,746)	(19,001)	2,406	—	—	—	—
Employee benefits (non re-classifiable adjustment to profit and loss)	27/32	4,999,158	70,558,124	4,999,158	23,282,407	4,878,001	69,891,919	4,878,001	23,117,981
Deferred tax/Employee benefits (non re-classifiable adjustment to profit and loss)	27/52	(1,397,534)	(19,702,304)	(1,397,534)	(6,468,115)	(1,365,840)	(19,569,738)	(1,365,840)	(6,473,035)
Other changes in equity	27/30	52,242	827,244	37,095	(27,189)	—	—	—	—
Other comprehensive income for the period after taxes		**3,619,627**	**51,651,640**	**3,622,813**	**16,713,418**	**3,567,385**	**50,824,395**	**3,585,718**	**16,740,606**
Comprehensive income for the period		**42,210,929**	**87,993,824**	**15,776,507**	**24,773,710**	**41,247,657**	**88,131,653**	**14,719,064**	**24,836,045**
Attributable to non-controlling interests		239,432	762,910	95,337	(67,556)				
Attributable to shareholders of CTT		41,971,497	87,230,914	15,681,170	24,841,266				

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2022

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Non-controlling interests	Total
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,919,935**	**(47,600,236)**	**39,962,419**	**16,669,309**	**323,675**	**150,275,094**
Appropriation of net profit for the year of 2020		—	—	—	—	16,669,309	(16,669,309)	—	—
Dividends	28	—	—	—	—	(12,750,000)	—	—	(12,750,000)
Acquisition of own shares	27		(6,404,954)	—	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,919,309**	**(16,669,309)**	**—**	**(17,939,954)**
Other movements	27/30	—	—	—	—	—	—	52,242	52,242
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,601,623	—	—	—	3,601,623
Changes to fair value reserves	27	—	—	(56,584)	—	—	—	—	(56,584)
Adjustments from the application of the equity method	27	—	—	—	—	22,345	—	—	22,345
Net profit for the period		—	—	—	—	—	38,404,113	187,190	38,591,303
Comprehensive income for the period		**—**	**—**	**(56,584)**	**3,601,623**	**22,345**	**38,404,113**	**239,432**	**42,210,929**
Balance on 31 December 2021		**75,000,000**	**(6,404,963)**	**67,078,351**	**(43,998,612)**	**43,904,074**	**38,404,113**	**563,106**	**174,546,069**
Appropriation of net profit for the year of 2021	26/27	(2,325,000)	17,152,548	(14,827,548)	—	—	—	—	—
Share capital decrease		—	—	—	—	38,404,113	(38,404,113)	—	—
Dividends	28	—	—	—	—	(17,656,441)	—	—	(17,656,441)
Acquisition of own shares	27	—	(21,573,976)	—	—	—	—	—	(21,573,976)
Share plan	27	—	—	1,620,000	—	—	—	—	1,620,000
		(2,325,000)	**(4,421,428)**	**(13,207,548)**	**—**	**20,747,671**	**(38,404,113)**	**—**	**(37,610,417)**
Other movements	27/30	—	—	—	—	—	—	827,244	827,244
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	50,855,819	—	—	—	50,855,819
Changes to fair value reserves	27	—	—	(26,746)	—	—	—	—	(26,746)
Adjustments from the application of the equity method	27	—	—	—	—	(4,678)	—	—	(4,678)
Net profit for the period		—	—	—	—	—	36,406,519	(64,334)	36,342,185
Comprehensive income for the period		**—**	**—**	**(26,746)**	**50,855,819**	**(4,678)**	**36,406,519**	**762,910**	**87,993,824**
Balance on 31 December 2022		**72,675,000**	**(10,826,390)**	**53,844,057**	**6,857,207**	**64,647,067**	**36,406,519**	**1,326,016**	**224,929,476**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2022

Euros

	NOTES	Share capital	Own Shares	Reserves	Other changes in equity	Retained earnings	Net profit for the year	Total
Balance on 31 December 2020		**75,000,000**	**(8)**	**65,836,605**	**(47,454,842)**	**39,900,355**	**16,720,995**	**150,003,105**
Appropriation of net profit for the year of 2020		—	—	—	—	16,720,995	(16,720,995)	—
Dividends	28	—	—	—	—	(12,750,000)	—	(12,750,000)
Acquisition of own shares	27	—	(6,404,954)	—	—	—	—	(6,404,954)
Share plan	27	—	—	1,215,000	—	—	—	1,215,000
		—	**(6,404,954)**	**1,215,000**	**—**	**3,970,995**	**(16,720,995)**	**(17,939,954)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	3,512,161	—	—	3,512,161
Adjustments from the application of the equity method	27	—	—	—	—	55,224	—	55,224
Restated net profit for the period		—	—	—	—	—	37,680,272	37,680,272
Restated comprehensive income for the period		**—**	**—**	**—**	**3,512,161**	**55,224**	**37,680,272**	**41,247,657**
Balance on 31 December 2021		**75,000,000**	**(6,404,963)**	**67,051,605**	**(43,942,681)**	**43,926,574**	**37,680,272**	**173,310,807**
Appropriation of net profit for the year of 2021		—	—	—	—	37,680,272	(37,680,272)	—
Share Capital decrease	26/27	(2,325,000)	17,152,548	(14,827,548)	—	—	—	—
Dividends	28	—	—	—	—	(17,656,441)		(17,656,441)
Acquisition of own shares	27	—	(21,573,976)	—	—	—	—	(21,573,976)
Share plan	27	—	—	1,620,000	—	—	—	1,620,000
		(2,325,000)	**(4,421,428)**	**(13,207,548)**	**—**	**20,023,831**	**(37,680,272)**	**(37,610,417)**
Actuarial gains/losses - Health Care, net from deferred taxes	27	—	—	—	50,322,181			50,322,181
Adjustments from the application of the equity method	27	—	—	—		502,214		502,214
Net profit for the period		—	—	—			37,307,258	37,307,258
Comprehensive income for the period		**—**	**—**	**—**	**50,322,181**	**502,214**	**37,307,258**	**88,131,653**
Balance on 31 December 2022		**72,675,000**	**(10,826,390)**	**53,844,057**	**6,379,500**	**64,452,619**	**37,307,258**	**223,832,043**

The attached notes are an integral part of these financial statements.

CTT-CORREIOS DE PORTUGAL, S.A.
CONSOLIDATED AND INDIVIDUAL CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2022
Euro

	NOTES	Group		Company	
		31.12.2021	31.12.2022	31.12.2021	31.12.2022
Cash flow from operating activities					
Collections from customers		740,511,910	822,216,311	494,878,809	506,671,718
Payments to suppliers		(383,512,671)	(442,640,303)	(162,322,601)	(165,685,663)
Payments to employees		(325,606,922)	(333,526,412)	(268,424,363)	(264,486,791)
Banking customer deposits		433,108,515	123,738,597	—	—
Credit to bank clients		(448,171,549)	(242,912,761)	—	—
Cash flow generated by operations		**16,329,283**	**(73,124,568)**	**64,131,845**	**76,499,264**
Payments/receivables of income taxes		(3,620,588)	(16,360,094)	99,398	(13,290,780)
Other receivables/payments		40,599,751	249,493,640	(45,828,328)	166,974,469
Cash flow from operating activities (1)		**53,308,446**	**160,008,978**	**18,402,915**	**230,182,953**
Cash flow from Investing activities					
Receivables resulting from:					
Tangible fixed assets		2,172,110	233,440	2,172,110	6,873,440
Investment properties		—	181,100	—	181,100
Non-current assets held for sale		—	—	—	—
Financial investments		—	292	—	25,502
Investment in securities at fair value through other comprehensive income	14	13,242,636	7,193,951	—	—
Investment in securities at amortized cost	14	429,477,883	452,081,491	—	—
Other banking financial assets	16	26,895,000	8,625,000	—	—
Interest income		38,198	147,988	11,633	56,478
Dividends		—	—	—	1,150,000
Loans granted	53	—	—	3,400,000	6,542,000
Payments resulting from:					
Tangible fixed assets		(16,778,472)	(16,059,208)	(8,550,467)	(8,524,682)
Intangible assets		(14,342,965)	(17,821,957)	(5,986,334)	(8,563,602)
Financial investments	8	(15,662,872)	(650,000)	(14,065,028)	(7,200,000)
Investment in securities at fair value through other comprehensive income	14	—	(1,146,911)	—	—
Investment in securities at amortized cost	14	(262,409,425)	(661,922,859)	—	—
Investment in securities at fair value through profit or loss	15	(24,999,973)	—	—	—
Demand deposits at Bank of Portugal		(4,142,200)	(3,248,100)	—	—
Central Bank Investments		—	(450,200,000)		
Other banking financial assets	16	(1,750,000)	(4,800,000)	—	—
Loans granted	53	—	—	(23,300,000)	(2,442,000)
Cash flow from investing activities (2)		**131,739,920**	**(687,385,773)**	**(46,318,086)**	**(11,901,764)**
Cash flow from financing activities					
Receivables resulting from:					
Loans obtained	31	100,261,411	104,856,928	—	—
Capital realizations and other equity instruments		34,000	867,000	—	—
Other credit institutions' deposits		—	1,084,308	—	—
Debt Securities issued	16	251,500,000	201,500,000	—	—
Payments resulting from:					
Loans repaid	31	(110,777,850)	(120,618,233)	(8,447,942)	(15,364,146)
Other credit institutions' deposits		—	(1,084,308)	—	—
Interest expenses		(283,653)	(433,312)	(189,159)	(246,678)
Confirming	31	(2,938,473)	—	—	—
Lease liabilities	31	(30,343,081)	(33,708,341)	(22,604,891)	(23,150,398)
Acquisition of own shares		(6,404,954)	(21,573,976)	(6,404,954)	(21,573,976)
Debt Securities issued	16	(20,130,815)	(32,015,401)	—	—
Dividends	28	(12,750,000)	(17,656,441)	(12,750,000)	(17,656,441)
Cash flow from financing activities (3)		**168,166,585**	**81,218,224**	**(50,396,946)**	**(77,991,639)**
Net change in cash and cash equivalents (1+2+3)		353,214,950	(446,158,571)	(78,312,116)	140,289,550
Changes in the consolidation perimeter		4,915,814	—	—	—
Cash and equivalents at the beginning of the period		498,826,782	856,957,546	—	189,818,607
Cash and cash equivalents at the end of the period	23	856,957,546	410,798,975	189,818,607	330,108,157
Cash and cash equivalents at the end of the period		**856,957,546**	**410,798,975**	**189,818,607**	**330,108,157**
Sight deposits at Bank of Portugal		19,937,800	23,185,900	—	—
Outstanding checks of Banco CTT / Checks clearing of Banco CTT		1,002,263	22,492,340	—	—
Impairment of slight and term deposits		(24,913)	(7,917)	(24,501)	(7,699)
Cash and cash equivalents (Balance sheet)		**877,872,696**	**456,469,298**	**189,794,106**	**330,100,458**

The attached notes are an integral part of these financial statements.

CTT – CORREIOS DE PORTUGAL, S.A.

Notes to the consolidated and individual financial statements
(Amounts expressed in Euros)

TABLE OF CONTENTS

1. Introduction

1.1 CTT – Correios de Portugal, S.A. (parent company)

GRI 2-1

CTT – Correios de Portugal, S.A. ("CTT" or "Company"), with head office at Avenida dos Combatentes, 43, 14º floor, 1643-001 in Lisbon, had its origin in the "Administração Geral dos Correios Telégrafos e Telefones" government department and its legal form is the result of successive re-organisations carried out by the Portuguese state business sector in the communications area.

Decree-Law no. 49.368, of 10 November 1969 founded the state-owned company CTT - Correios e Telecomunicações de Portugal, E. P., which started operating on 1 January 1970. By Decree-Law no. 87/92, of 14 May, CTT – Correios e Telecomunicações de Portugal, E. P., was transformed into a legal entity governed by private law, with the status of a state-owned public limited company. Finally, with the foundation of the former Telecom Portugal, S.A. by spin-off from Correios e Telecomunicações de Portugal, S.A. under Decree-Law no. 277/92, of 15 December, the Company's name was changed to the current CTT – Correios de Portugal, S.A..

On 31 January 2013 the Portuguese State through the Order 2468/12 – SETF, of 28 December, determined the transfer of the investment owned by the Portuguese State in CTT to Parpública – Participações Públicas, SGPS, S.A.

At the General Meeting held on 30 October 2013, the registered capital of CTT was reduced to 75,000,000 Euros, being from that date onward represented by 150,000,000 shares, as a result of a stock split which was accomplished through the reduction of the nominal value from 4.99 Euros to 0.50 Euros.

During the financial year ended 31 December 2013, CTT's capital was opened to the private sector. Supported by Decree-Law no. 129/2013, of 6 September and the Resolution of the Council of Ministers ("RCM") no. 62-A/2013, of 10 October, the RCM no. 62-B/2013, of 10 October and RCM no. 72-B/2013, of 14 November, the first phase of privatization of the capital of CTT took place on 5 December 2013. From this date, 63.64% of the shares of CTT (95.5 million shares) were owned by the private sector, of which 14% (21 million shares) were sold in a Public Offering and 49.64% (74.5 million shares) by Institutional Direct Selling. On 31 December 2013 the Portuguese State, through Parpública - Participações Públicas, SGPS, S.A. held 36.36% of the shares of CTT, 30.00% by holding and 6.36% by allocation.

On 5 September 2014, the second phase of the privatization of CTT took place. The shares held by Parpública - Participações Públicas, SGPS, S.A., which on that date represented 31.503% of CTT's capital, were subject to a private offering of Shares ("Equity Offering") via an accelerated book building process. The Equity Offering was addressed exclusively to institutional investors.

At the meeting of the Company's Board of Directors held on 16 March 2022, it was unanimously decided to approve the implementation of a Buy-back programme for the Company's own shares, including the related terms and conditions, with the sole purpose of reducing the Company's share capital through the cancellation of shares acquired under the aforementioned programme, subject to prior approval by the General Meeting.

At the General Meeting held on 21 April 2022, was approved the maximum number of shares to be acquired under the Buy-back Programme.

Subsequently, on 7 November 2022, the Company's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office, with the Company's share capital to be composed of 145,350,000 shares with the nominal value of 0.50 Euros each.

The shares of CTT are listed on Euronext Lisbon.

The financial statements attached herewith are expressed in Euros, as this is the functional currency of the **Group** and the **Company**.

These financial statements were approved by the Board of Directors and authorized for issue on 16 March 2023.

1.2 Business

GRI 2-1, 2-6, GRI 207-4

The main activity of CTT and its subsidiaries ("Group CTT" or "Group"): CTT - Expresso – Serviços Postais e Logística, S.A. and its branch in Spain, Payshop Portugal, S.A., CTT Contacto, S.A., Corre – Correio Expresso de Moçambique, S.A., Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais S.A., Fundo de Inovação TechTree, NewSpring Services, S.A., CTT IMO - Sociedade Imobiliária, S.A., Open Lockers, S.A., MedSpring, S.A., CTT IMO Yield, S.A. and CTT Services, S.A. is to ensure the provision of universal postal services, to render postal services and financial services.

During 2015, within the scope of its financial services, CTT Group extended the scope of its activity with the establishment of Banco CTT, S.A., whose main activity is performing banking activities, including all the accessory, connected and similar operations compatible with the banking activity and allowed by law.

In 2020, within the scope of the activities provided in business solutions, the group expanded the scope of its activity to provide business consulting and support for business management and administration, namely, in the areas of human resources, sustainability, administrative management, information technologies, advertising and communication.

In 2021, with the entry into the consolidation perimeter of the entities HCCM - Outsourcing Investment (merged by incorporation into CTT Soluções Empresariais as at to 1 January 2022) and NewSpring Services, the Group once again expanded the scope of its activity to provide technical back-office services, advice, support and logistical support for technological activities and processing and document production; provision of services and Know-how to companies in the area of new technologies and provision of services in the area of technical and commercial support.

Also in 2021, with the establishment of the company CTT IMO - Sociedade Imobiliária, S.A., the Group expanded the scope of its activity to the purchase, exchange, sale and lease of real estate, and the resale of those acquired for this purpose, the promotion and the real estate management, as well as the administration of own real estate.

With the establishment of the company Open Lockers, S.A., the Group extended again the scope of its activity to the management, purchase, sale, production, installation, storage and maintenance of electronic or automatic lockers or other equipment for the storage, storage and collection of goods and/ or the possibility for the respective return, namely in the context of electronic commerce or traditional commerce.

The CTT Group also provides complementary services, such as the marketing of goods or provision of services on its own account or on behalf of third parties, provided that they are related with the normal operations of the public postal network, namely, the provision of information services, and the provision of public interest or general interest services.

The postal service is provided by CTT under the Concession Agreement of the Universal Postal Service celebrated into on 6 January 2022 between the Portuguese Government and CTT, as well as Decree-Law no. 22-A/2022 published on 7 February 2022, which changed the legal framework applicable to the provision of postal services in Portugal that was laid down by Law no. 17/2012, of 26 April (Postal Law). This Agreement will remain in force until 31 December 2028.

In addition to the services under concession, CTT may provide other postal services, as well as carry out other activities, namely those allowing for the profitability of the universal service network, directly or by incorporating or holding stakes in companies or through other forms of cooperation between companies. Within these activities the provision of services of public interest or of general interest under conditions to be agreed with the Government stands out.

The amendments introduced by Directive 2008/6/EC of 20 February 2008 of the European Parliament and of the Council to the regulatory framework that governs the provision of postal services, in 2012 were transposed into the national legal order by Law no. 17/2012, of 26 April ("Postal Law"), which revoked Law No. 102/99, of 26 July, and is still force with the amendments introduced in the meantime by Decree-Law No. 160/2013, of 19 November and by Law No. 16/2014, of 4 April, by Decree-Law no. 49/2021, of 14 June, and by Decree-Law no. 22-A/2022 published on 7 February 2022. The Postal Law establishes the legal framework for the provision of postal services in full competition in the national territory, as well as international services with origin or destination in the national territory.

Thus, since 2012, the postal market in Portugal has been fully open to competition. For reasons of general interest, the following activities and services remained reserved: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word "Portugal" and the registered mail service used in court or administrative proceedings.

Therefore, the scope of the universal postal service thus includes the following services, of national and international scope:

- A postal service for letter mail (excluding direct mail), books, catalogues, newspapers and other periodicals up to 2 kg;
- A postal service for postal parcels up to 10 kg, as well as delivery in the country of parcels received from other Member States of the European Union weighing up to 20kg; and
- A delivery service for registered items and a service for insured items.

The concession agreement signed between the Portuguese Government and CTT covers:

- The universal postal service as defined above;
- The reserved services: (i) the right to place letter boxes on public highways for the acceptance of postal items, (ii) the issue and sale of postage stamps bearing the word "Portugal" and (iii) the service of registered mail used in court or administrative proceedings;
- The provision of special payment orders which allows the transfer of funds electronically and physically, at national and international level, designated by postal money order service, on an exclusive basis; and
- The Electronic Mailbox Service, on a non-exclusive basis.

On 23 December 2021, the Council of Ministers communicated the approval, on that date, of the decree that changed the legal framework applicable to the provision of postal services in Portugal. This decree was promulgated on 5 February 2022 and the Decree-Law no. 22-A/2022 published on 7 February 2022. The new Concession Agreement entered in force on 8 February 2022and will have a duration of approximately seven years - until 31 December 2028. The main amendments of the new legal framework arising from the law and the new concession agreement are as follows:

1. **With regard to pricing:**

- Pursuant to the law, pricing criteria will be defined by agreement between CTT, ANACOM and the Consumer Directorate-General for periods of three years or, if no agreement is reached, by the Government. This definition shall take into consideration the sustainability and the economic and financial viability of the universal postal service (USO) provision, and shall also consider the variation in volumes, the change in relevant costs, the quality of the service provided and the incentive to an efficient provision of the universal service;

- For the year 2022, which was the transition period, the agreement stipulates that the prices to be implemented by CTT shall respect a maximum annual average variation of 6.80%, which considers the decline in volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021.

2. **With regard to quality of service indicators and performance targets:**

- Quality criteria shall be approved by the Government upon ANACOM's proposal, also for three-year periods, following a set of clear guidelines: ensure high levels of quality of service in line with current best practices in the European Union and the relative importance of the postal services covered by the USO, and taking into account the average standards of the European Union countries, applicable for each indicator;
- Quality indicators and performance targets defined by ANACOM on 29.04.2021 shall apply until the definition of new indicators and performance targets; as long as the current indicators remain in force, specifically in 2022, should there be any penalties, these will be translated into investment obligations that result in improvements for the benefit of the service provision and end users;
- In the event of non-compliance with the new quality indicators, the penalty to be applied by the Government will translate into investment obligations or price revisions, in accordance with the principles of proportionality, adequacy, non-discrimination and transparency.

3. **Density of the postal network:**

- The procedure to define the objectives of postal network density and minimum service offers is maintained, which foresees a decision by ANACOM upon CTT's proposal;
- The current criteria for the definition of objectives remain in force, with the additional obligation of ensuring the existence of a post office in each municipality. This situation already occurs, following the reopening of post offices in municipality seats voluntarily concluded by the Company.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the USO under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

2. Significant accounting policies

The significant accounting policies adopted by the **Group** and the **Company** in the preparation of the consolidated and individual financial statements are those mentioned hereinafter.

2.1 Basis of presentation

The consolidated and individual financial statements were prepared under the assumption of going concern and are prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, and in accordance with the International Financial Reporting Standards, as adopted by the European Union as at 31 December 2022.

These standards include the IFRS issued by the International Accounting Standards Board ("IASB"), the IAS issued by the International Accounting Standards Committee ("IASC") and the respective interpretations – IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretation Committee ("IFRIC") and by the Standing Interpretation Committee ("SIC"). Hereinafter, these standards and interpretations are generally referred to as "IFRS".

In addition to the standards that became effective as of 1 January 2021, described in Note 2.1.1, and which are set out in the accounting policies adopted in the preparation of the consolidated and individual financial statements as at 31 December 2022 and described in Note 2.2 through Note 2.32, there are additional issued standards and interpretations, described in Note 2.1.2, which did not become mandatory in the year starting on 1 January 2021.

2.1.1 New standards or amendments adopted by the Group and the Company

The standards and amendments recently issued, already effective and adopted by the **Group** and the **Company** in the preparation of these financial statements, are as follows:

- **Amendments to IFRS 3 – References to the Conceptual Framework for Financial Reporting** - This amendment updates the references to the Conceptual Framework in the wording of IFRS 3, and no changes have been made to the accounting requirements for business combinations. The accounting treatment to be adopted in relation to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus those included in a business combination, is also clarified. The change is prospectively applicable.

- **Amendments to IAS 16 – Income obtained before entry into operation** - Clarifies the accounting treatment given to the consideration obtained with the sale of products that result from the production in the test phase of tangible fixed assets, prohibiting their deduction from the acquisition cost of the assets. The entity recognizes the income obtained from the sale of such products and the costs of their production in profit or loss.

- **Amendments to IAS 37 – Onerous contracts – costs of complying with a contract** - This amendment specifies that in the assessment of whether or not a contract is onerous, only expenses directly related to the performance of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of the tangible assets used to perform the contract. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract. This amendment shall apply to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without the need to restate the comparative.

- **Amendments to IFRS 1 - Subsidiary as a first-time adopter of IFRS (included in the annual improvements related to the 2018-2020 cycle)** - This amendment clarifies that, when a subsidiary chooses to measure its assets and liabilities at the amounts included in the consolidated financial statements of the parent company (assuming no adjustment has occurred in the consolidation process), the measurement of accumulated translation differences can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's transition date to IFRS.

- **Amendments to IFRS 9 – Derecognition of financial liabilities – Fees to be included in the '10 percent' variation test (included in the annual improvements for the 2018-2020 cycle)** - This improvement clarifies which fees an entity must include when evaluating whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that in the scope of derecognition tests carried out on renegotiated liabilities, only commissions paid or received between the debtor and creditor should be included, including commissions paid or received by the debtor or creditor on behalf of the other.

- **Amendments to IAS 41 – Taxation and measurement of fair value (included in the annual improvements related to the 2018-2020 cycle)** - This amendment eliminates the requirement set out in paragraph 22 of IAS 41, to exclude cash flows related to income tax in the fair value measurement of biological assets, ensuring consistency with the principles of IFRS 13.

- **Amendments to IFRS 16 - Leases - Concessions related to COVID-19 at the level of rents beyond 30 June 2021 -** On 28 May 2020, the amendment to IFRS 16 named 'Concessions related to COVID-19 was issued, having introduced the following practical expedient: A lessee may choose not to assess whether a COVID-19 pandemic related lease grant is a lease modification.

  Lessees who choose to apply this expedient, account for the change to rent payments resulting from a COVID-19 pandemic related concession in the same way as they account for a change that is not a lease modification in accordance with IFRS 16.

  Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the extention of the pandemic impact, on 31 March 2021 it has been extended to payments originally due by 30 June 2022. The change applies to annual reporting periods beginning on or after 1 April 2021.

  The practical expedient can be applied as long as the following criteria are met:
    - the change in lease payments results in a revised lease consideration that is substantially equal to, or less than, the consideration immediately preceding the change;
    - any reduction in lease payments only affects payments due on or through 30 June 2022; and
    - there are no significant changes to other terms and conditions of the lease.

The **Group** and the **Company** did not register significant changes with the adoption of these standards and interpretations.

2.1.2 New standards, amendments and interpretations issued, but without effective application to the years starting on 1 January 2023 or not early adopted

2.1.2.1 The Group and the Company decided to opt for not having an early application of the following standards and/or interpretations endorsed by the EU:

- **IFRS 17 - Insurance Contracts -** IFRS 17 applies to all insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as some guarantees and some financial instruments with discretionary participation features. In general terms, IFRS 17 provides an accounting model for insurance contracts that is more useful and more consistent for issuers. In contrast to the requirements of IFRS 4, which are based on previously adopted local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IFRS 17 – Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information** - This amendment to IFRS 17 refers to the presentation of comparative information on financial assets in the initial application of IFRS 17.

  The amendment adds a transition option that allows an entity to apply an “overlay” in the classification of a financial asset in the comparative period(s) presented in the initial application of IFRS 17. The “overlay” allows all financial assets, including those held in connection with non-contract activities within the scope of IFRS 17, to be classified on an instrument-by-instrument basis in the comparative period(s) in line with how the entity expects these assets to be classified in the initial application of IFRS 9.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IAS 1 – Disclosure of Accounting Policies** - These amendments are intended to assist the entity in the disclosure of 'material' accounting policies, previously designated as 'significant' policies. However, due to the inexistence of this concept in the IFRS standards, it was decided to substitute the concept “materiality”, a concept already known by the users of the financial statements. When assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and their nature.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IAS 8 – Definition of accounting estimates** - The amendment clarifies the distinction between changes in accounting estimates, changes in accounting policy and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

- **Amendments to IAS 12** – Deferred tax relating to assets and liabilities arising from a single transaction.

  The amendment clarifies that payments that settle a liability are tax deductible, however it is a matter of professional judgment whether such deductions are attributable to the liability that is recognized in the financial statements or to the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability.

  Thus, the initial recognition exception is not applicable to transactions that gave rise to equal taxable and deductible temporary differences. It is only applicable if the recognition of an active lease and a passive lease gives rise to taxable and deductible temporary differences that are not equal.

  These changes shall be applied prospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted.

The **Group** and the **Company** did not apply any of these standards in advance to the financial statements in the twelve-month period ended 31 December 2022. No significant impacts on the financial statements resulting from their adoption are estimated.

2.1.2.2 Standards, amendments and interpretations issued that are not yet effective for the Group and the Company:

- **Amendments to IAS 1 – Presentation of financial statements – Classification of current and non-current liabilities** - This amendment seeks to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period.

  The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether or not the entity will exercise such a right), or by events occurring after the reporting date, such as a default of a "covenant".

  However, if the right to defer settlement for at least twelve months is subject to the fulfillment of certain conditions after the balance sheet date, these criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. .

  This amendment also includes a new definition of "settlement" of a liability and is applicable retrospectively.

- **Amendments to IFRS 16 - Lease liabilities in sale and leaseback transactions** - This amendment specifies the requirements related to the subsequent measurement of lease liabilities, related to sale and leaseback transactions ("sale & leaseback") that qualify as a "sale" of in accordance with the principles of IFRS 15, with a focus on variable lease payments that do not depend on an index or a rate.

  In subsequent measurement, seller-lessees shall determine "lease payments" and "revised lease payments".

  In subsequently measuring lease liabilities, seller-lessees shall determine the "lease payments" and "revised lease payments" in such a way as not to recognize any gain or loss relating to the retained right of use. Application of these requirements does not preclude the seller-lessee from recognizing, in the income statement, any gain or loss related to the partial or total "sale", as required by paragraph 46(a) of IFRS 16.

This amendment applies retrospectively.

These standards have not yet been adopted ("endorsed") by the European Union and, as such, were not applied by the **Group** and the **Company** in the twelve-month period ended 31 December 2022. No significant impacts are estimated on the financial statements arising from the its adoption.

2.2 Consolidation principles

The consolidated financial statements comprise financial statements of the **Company** and its subsidiaries.

Investments in companies in which the **Group** holds the control ("subsidiaries"), in other words, where the **Group** is exposed, or has rights, to variable returns from its involvement with the relevant activities of the investee and has the ability to affect those returns through its power over the investee activities, were consolidated in these financial statements by the full consolidation method. The companies consolidated by the full consolidation method are shown in Note 8.

Equity and net profit for the period corresponding to third-party participation in subsidiaries are reflected separately in the consolidated financial position statement and consolidated income statement and comprehensive income statement in the caption Non-controlling interests. The gains and losses attributable to non-controlling interests are allocated to them.

The **Group** applies the purchase method to account for the acquisition of subsidiaries. The acquisition cost is measured at the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed on the acquisition date.

The assets and liabilities of each **Group** company are initially measured at fair value as of the date of acquisition, as established in IFRS 3. Any excess of cost over the fair value of the net assets and liabilities acquired is recognized as goodwill. If the difference between the cost and the fair value of the assets and liabilities acquired is negative, it is recorded as income of the year.

Transaction costs directly attributable to business combinations are immediately recognized in profit and loss.

Non-controlling interests include the third parties' portion of the fair value of the identifiable assets and liabilities as of the date of acquisition of the subsidiaries.

Subsidiaries are consolidated using the full method from the date on which control is transferred to the **Group**. In the acquisition of additional shares of capital in companies already controlled by the **Group**, the difference between the percentage of capital acquired and the respective acquisition value is recorded directly in equity under the caption Retained earnings. When, on the date of acquisition of control, the **Group** already holds a previously acquired shareholding, the fair value of that shareholding contributes to the determination of goodwill or negative goodwill.

In the case of disposals of shares resulting in the loss of control over a subsidiary, any remaining shareholding is revalued at market value on the date of sale and the gain or loss resulting from this revaluation is recorded in the income statement, as well as the gain or loss loss resulting from such disposal. Subsequent transactions involving the sale or acquisition of shares to non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill, and any difference between the transaction value and the book value of the transacted participation is recognized in the Equity, in Other Equity instruments.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of acquisition up to the date of disposal.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to be in accordance with the **Group**'s accounting policies. Transactions (including unrealized gains and losses on sales between **Group** companies), balances and dividends distributed between **Group** companies are eliminated in the consolidation process.

The investments in associated companies and joint ventures are booked in the financial statements using the equity method (note 2.10).

2.3 Segment reporting

The **Group** presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a **Group** component:
(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The **Group** did not apply the aggregation criteria provided for in paragraph 12 of IFRS 8.

2.4 Transactions and balances in foreign currency

Transactions in foreign currency (a currency different from the **Group** and the **Company** functional currency) are recorded at the exchange rates in force on the transaction date. At each reporting date, the carrying values of the monetary items in foreign currency are updated at the exchange rates on that date. The carrying values of non-monetary items recorded at historical cost in foreign currency are not updated.

Favorable and unfavorable currency translation differences arising from the use of different exchange rates in force on the transaction dates and those in force on the recovery, payment or reporting dates are recognized in the profit or loss for the year.

The elements included in the Statement of Financial Position of each **Group** entity included in the consolidation perimeter (note 8) are measured using the currency of the economic environment in which the entity operates (functional currency). The **Group**'s assets and liabilities expressed in a currency other than the Group's presentation currency (Euro) are translated using the exchange rates at the end of the period, and the average exchange rate in the case of the translation of results.

The following exchange rates were used in the translation of the balances and financial statements in foreign currency:

	2021		2022	
	Close	Average	Close	Average
Mozambican Metical (MZN) (1)	71.58000	76.35417	67.45000	66.38000
United States Dollar (USD) (1)	1.13260	1.18156	1.06660	1.04998
Special Drawing Right (SDR) (2)	1.23748	1.23720	1.25291	1.25651

(1) Source: Bank of Portugal
(2) Source: Deutsche Bundesbank Bank

2.5 Tangible fixed assets

Tangible fixed assets are recorded at their acquisition or production cost, minus accumulated depreciation and impairment losses, where applicable. The acquisition cost includes: (i) the purchase price of the asset, (ii) the expenses directly attributable to the purchase, and (iii) the estimated costs of dismantlement or removal of the asset and restoration of the location (Notes 2.22 and 33).

The depreciation of tangible assets, minus their residual estimated value, is calculated in accordance with the straight-line method, from the month when the assets are available for use, over their useful lives, which are determined according to their expected economic utility. The depreciation rates that are applied correspond, on average, to the following estimated useful lives for the different categories of assets:

	Years of useful life
Buildings and other constructions	10 – 50
Basic equipment	4 – 10
Transport equipment	4 – 7
Tools and utensils	4
Office equipment	3 – 10
Other property, plant and equipment	5 – 10

Lands are not depreciated.

Depreciation terminates when the assets are re-classified as held for sale.

Tangible fixed assets in progress correspond to tangible fixed assets that are still under construction/ production and are recorded at acquisition or production cost. These assets are depreciated from the month when they fulfil the necessary conditions to be used for their intended purpose.

The costs related to maintenance and repair of current nature are recorded as costs in the period these are incurred. Major repairs which lead to increased benefits or increased in expected useful lives are recorded as tangible fixed assets and depreciated at the rates corresponding to their expected useful life. Any replaced component is identified and written off.

The gain or loss arising from the disposal of tangible fixed assets is defined by the difference between the sale proceeds and the carrying amount of the assets and is recorded in the consolidated income statement under the heading Gains/losses on disposal/remeasurement of assets.

2.6 Intangible assets

Intangible assets are registered at acquisition cost, less accumulated amortization and impairment losses, when applicable. Intangible assets are only recognized when it is probable that they will result in future economic benefits for the **Group** and the **Company**, and they can be measured reliably.

Intangible assets are essentially composed of expenses related to patents, software (whenever this is separable from the hardware and associated to projects where the generation of future economic benefits is quantifiable), licenses and other user rights. Also included the expenses related to the development of R&D projects whenever the intention and technical capacity to complete this development is demonstrated, for the purpose of the projects being available for marketing or use. Research costs incurred in the search of new technical or scientific knowledge or aimed at the search of alternative solutions, are recognized through profit or loss when incurred.

Intangible assets are amortized through the straight-line method, from the month when they are available for use, during their expected useful life, which varies between 3 and 20 years:

	Years of useful life
Development projects	3 – 6
Industrial property	3 – 20
Customer contracts	5
Software	3 – 10

The exceptions to the assets related to industrial property and other rights, which are amortized over the period of time during which their exclusive use takes place and intangible assets with indefinite useful life, which are not amortized, but, rather, are subject to impairment tests on an annual basis and whenever there is indication that they might be impaired.

Gains or losses arising from the disposal of intangible assets, are determined by the difference between the sales proceeds and the respective carrying value on the date of the disposal, are recorded in the consolidated income statement under the heading Gains/losses on disposal/remeasurement of assets.

2.7 Investment properties

Investment properties are properties (land or buildings) held by the **Group** and the **Company** to obtain rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or
b) sale in the ordinary course of business.

Investment properties comprise mainly properties that the **Group** and the **Company** did not affect to the rendering of services and holds to earn rentals or for capital appreciation.

An Investment property is initially measured at its acquisition or production cost, including any transaction costs which are directly attributable to it. After their initial recognition, investment properties are measured at cost less any accumulated depreciation and accumulated impairment losses, when applicable.

The depreciation rates considered are between 10 and 50 years.

The **Group** and the **Company** ensure that an annual assessment of assets qualified as investment properties is carried out in order to determine any impairment and to disclose their fair value.

Costs incurred in relation to investment properties, namely with maintenance, repairs, insurance and property taxes are recognized as costs for the period in which they are incurred. Improvements which are expected to generate additional future economic benefits are capitalized.

2.8 Impairment of tangible fixed assets, intangible assets and rights of use, except goodwill

The **Group** and the **Company** carry out impairment assessments of its tangible, intangible assets and rights of use, whenever any event or situation occurs, which may indicate that the amount by which the asset is recorded might not be recovered. In case of the existence of such evidence, the recoverable amount of the asset is determined in order to measure the extent of the impairment loss. When it is not possible to determinate the recoverable amount of an individual asset, then the recoverable amount of the cash generating unit to which this asset belongs is estimated.

The recoverable amount of the asset or cash generating unit is the highest value between (i) its fair value minus the costs of selling it and (ii) its value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use arises from the future estimated discounted cash flows of the assets during their estimated useful life. The discount rate used in the discounted cash flows reflects the current market assessments of the time value of money and the specific risk of the asset.

Whenever the carrying amount of the asset or cash generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded in the Consolidated and individual income statement.

The reversal of impairment losses recognized in prior years is recorded whenever there is evidence that the recognized impairment losses no longer exist or have decreased, being recognized in the Consolidated and individual income statement. However, the reversal of the impairment loss is made up to the amount that would have been recognized (net of amortization or depreciation) if the impairment loss had not been recorded in the previous years.

2.9 Goodwill

Goodwill represents the excess of the acquisition cost compared with the fair value of the identifiable assets, liabilities and contingent liabilities of each entity that is acquired and included by the full consolidation method, or subsidiary, on the respective acquisition date, in accordance with IFRS 3 (Revised) – Business Combinations.

Goodwill is not amortized, but subject to impairment tests. In the assessment of the goodwill impairment, this value is allocated to the cash generating unit or units it refers to. The value in use is determined by discounting the estimated future cash flows of the cash generating unit. The recoverable amount of the cash generating units to which the goodwill refers is determined based on the assets' value in use and is calculated using valuation methodologies which are supported by discounted cash flow techniques, considering the market conditions, the time value and business risks. The discount rate used for discounting cash flows corresponds to the WACC before taxes ("Weighted Average Cost of Capital") estimated according to the rates and capital structures of the entities sector. The impairment tests are carried out on each reporting date, or earlier if impairment risk indicators were identified.

Impairment losses related to Goodwill are not reversible.

In the sale or loss of control of a cash generating unit, the corresponding goodwill is included in the determination of the capital gain or loss.

2.10 Concentration of corporate activities

Subsidiary and Associated companies

Investments in subsidiary and associated companies are recorded in the consolidated and individual statement of financial position by the equity method (Note 10 and 11), respectively.

A subsidiary company is an entity over which the **Group** and/or the **Company** exercises control. Control is presumed to exist when the **Group** and / or the **Company** is exposed or has the right to variable returns arising from its involvement in the subsidiary relevant activities and has the ability to influence those returns due to its power over the subsidiary regardless of the percentage over its equity.

On the other hand, an associated company is an entity over which the **Group** and/or the **Company** has significant influence, through participation in decisions concerning its financial and operating policies, but where the **Group** or the **Company** does not have control or joint control, which in general happens whenever the investment is between 20% and 50% of the voting rights.

In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the subsidiary and associated companies against “Gain/losses in subsidiary, associated companies and joint ventures”, and by other changes in equity in Other comprehensive income” and by the received dividends.

Additionally, investments in subsidiary and associated companies may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded in the income statement.

The excess of the acquisition cost over the fair value of the identifiable assets and liabilities of each subsidiary and/or associated company at the date of acquisition is recognized as goodwill and presented as part of the financial investment in the caption Investments in subsidiaries and/or associates. If the difference between cost and fair value of the assets and liabilities acquired is negative, it is recognized in the income statement under “Gain/losses in subsidiary, associated companies and joint ventures”, after confirmation of the fair value.

Whenever the losses in subsidiary and/or associated companies exceed the investment made in these entities, the investment carrying value is reduced to zero and the recognition of future losses will be discontinued, except in what concerns the part in which the **Group** and/or the **Company** incurs in any legal or constructive obligation of assuming all these losses on behalf of the subsidiary and/or associated company, in which case a provision is recorded (note 2.22).

With the exception of goodwill impairment, if the impairment losses recorded in previous years are no longer applicable, these are reversed.

The dividends received from subsidiary and associated companies are recorded as a decrease in the carrying value of “Investments in subsidiary companies” and “Investments in associated companies”, respectively.

Unrealized gains and losses on transactions with subsidiary and associated companies are eliminated in proportion to the **Group**’s interest in the subsidiary and/or associated companies, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

Joint Ventures

Investments in joint ventures are recorded in the balance sheet by the equity method. The classification of the investments in joint ventures is determined based on the existence of a contractual agreement, which demonstrates and rules the joint control. In accordance with the equity method, the investments are initially recorded at their cost and subsequently adjusted by the value corresponding to the investment in the net profit or loss of the joint ventures against “Gain/losses in subsidiary, associated companies and joint ventures”, by other changes in equity in “Other comprehensive income” and by the received dividends.

Additionally, investments in joint ventures may also be adjusted through the recognition of impairment losses. Whenever there are indications that the assets may be impaired, an assessment is carried out and the existing impairment losses are recorded as costs in the consolidated income statement, impairment losses shown to exist.

When the share of losses attributed to the **Group** is equivalent to or exceeds the value of the financial interest in jointly controlled companies, the **Group** recognizes additional losses if it has assumed obligations, or if it has made payments for the benefit of the jointly controlled entities.

Unrealized gains and losses on transactions with joint ventures are eliminated in proportion to the **Group**'s interest in the entities, recorded against the investment in the same entity. Unrealized losses are also eliminated but only up to the point that the losses do not reflect that the transferred asset is impaired.

In the case of business combinations between entities under common control, the **Group** and the **Company** apply the Book Value Method or Predecessor Accounting Method, and no goodwill is recognized.

A business combination between entities under common control is a combination in which the acquired companies or businesses are ultimately controlled by the same entity(ies), both before and after the merger.

By applying the Book-Value Method, the acquiring entity must recognize the assets acquired and the liabilities and contingent liabilities assumed at the respective cost, not needing carry out any measurement at fair value, nor is there any recognition of goodwill (or negative goodwill) or any impact in profit or loss in the individual financial statements of both entities.

2.11 Financial assets

Classification, initial recognition and subsequent measurement

At initial recognition, financial assets are classified into one of the following categories:

i) Financial assets at amortized cost;
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made taking into consideration the following aspects:

i) the **Group**'s business model for financial asset management; and
ii) the characteristics of the contractual cash flows of the financial asset.

Business Model Evaluation

The **Group** carries out an evaluation of the business model in which the financial instrument is held at the portfolio level, since this approach reflects the best way assets are managed and how the information is made available to management bodies. The information considered in this evaluation included:

- the policies and objectives established for the portfolio and the practical operationality of these policies, including how the management strategy focuses on receiving contractual interest or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the **Group**'s management bodies;
- assessing the risks that affect the performance of the business model (and the financial assets held under this business model) and how these risks are managed;
- the frequency, volume and frequency of sales in previous periods, the reasons for such sales and expectations about future sales. However, sales information should not be considered in isolation but as part of an overall assessment of how the **Group** establishes financial asset management objectives and how cash flows are obtained;
  and
- Evaluation if the contractual cash flows correspond only to the receipt of principal and interest (SPPI - Solely Payments of Principal and Interest).

For the purposes of this assessment, "Principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money, the credit risk associated with the amount owed over a given period of time and for other risks and costs associated with the activity (e.g., liquidity risk and administrative costs), and as a profit margin.

In the evaluation of the financial instruments in which contractual cash flows refer exclusively to the receipt of principal and interest, the **Group** considered the original contractual terms of the instrument. This evaluation included the analysis of the existence of situations where contractual terms could modify the periodicity and amount of cash flows so that they do not fulfil the SPPI condition. In the evaluation process, the **Group** took into consideration:

- contingent events that may modify the periodicity and amount of cash flows;
- characteristics that result in leverage;
- prepayment and extension of maturity clauses;
- clauses that may limit the **Group**'s right to claim cash flows in relation to specific assets (e.g., contracts with clauses that prevent access to assets in default cases); and
- characteristics that may modify the compensation for the time value of money.

In addition, an advance payment is consistent with SPPI criteria, if:

- the financial asset is acquired or originated with a premium or discount in relation to the contractual nominal value;
- prepayment represents substantially the nominal amount of the contract plus accrued but unpaid contractual interest (may include reasonable compensation for prepayment); and
- the fair value of the prepayment is insignificant at the initial recognition.

<u>Reclassification between categories of financial instruments</u>

If the **Group** changes its financial asset management business model, which is expected to occur not frequently and exceptionally, it reclassifies all the affected financial assets in accordance with the requirements set forth in IFRS 9 - "Financial instruments". The reclassification is applied prospectively from the date it becomes effective. Pursuant to IFRS 9 - "Financial instruments", reclassifications of equity instruments for which the option to valuation at fair value has been included by the counterpart of other comprehensive income or to financial assets and liabilities classified at fair value in the fair value option are not allowed.

2.11.1 Financial assets at amortized cost

<u>Classification</u>

A financial asset is classified in the category "Financial assets at amortized cost" if it meets all of the following conditions:

- the financial asset is held in a business model whose main objective is the holding of assets to collect its contractual cash flows; and
- their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

The "Financial assets at amortized cost" category includes investments in credit institutions, credit to clients, debt securities managed based on a business model whose purpose is to receive their contractual cash flows (government and corporate bonds) and accounts receivable.

<u>Initial recognition and subsequent measurement</u>

Investments in credit institutions and credit to clients are recognized at the date the funds are made available to the counterparty (settlement date). Debt securities are recognized on the trade date, that is, on the date the **Group** commits itself to acquire them.

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost. In addition, they are subject, from their initial recognition to the measurement of impairment losses for expected credit losses, which are recorded against the caption "Impairment of other financial banking assets".

Interest on financial assets at amortized cost is recognized under the caption "Financial margin", based on the effective interest rate method and in accordance with the criteria described in note 2.23.

The gains or losses generated at the time of their derecognition are recorded under the caption "Gains/(losses) on derecognition of financial assets and liabilities at amortized cost", under the caption "Impairment of other banking financial assets" and "Impairment of accounts receivable, net" in the case of accounts receivable.

2.11.2 Financial assets at fair value through other comprehensive income

Classification

A financial asset is classified in the category "Financial assets at fair value through other comprehensive income" if it meets all of the following conditions:

i) the financial asset is held in a business model in which the purpose is to collect its contractual cash flows and the sale of this financial asset; and
ii) their contractual cash flows occur on specific dates and correspond only to payments of principal and interest on the outstanding amount (SPPI).

In addition, in the initial recognition of an equity instrument that is not held for trading, nor a contingent consideration recognized by a purchaser in a business combination to which IFRS 3 applies, the **Group** may irrevocably choose to classify it in the category Financial assets at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, investment for investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32, not applicable to financial instruments at fair value through other comprehensive income and may be used for financial instruments whose classification as an equity instrument in the sphere of the issuer is made under the exceptions provided for in paragraphs 16A to 16D of IAS 32.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income and, at the time of their disposal, the respective gains or losses accumulated in other comprehensive income are reclassified to a specific line item of income designated "Net gains/(losses) of other financial assets at fair value through other comprehensive income".

Debt instruments at fair value through other comprehensive income are also subject, from their initial recognition to the measurement of impairment losses for expected credit losses. Impairment losses are recognized in the income statement under the item “Financial Margin”, in consideration of other comprehensive income, and do not reduce the carrying amount of the financial asset in the balance sheet.

Interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized under "Interest and similar income calculated through the effective rate" based on the effective interest rate method and in accordance with the criteria described in note 2.23.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. The changes in the fair value of these financial assets are recorded by counterpart of other comprehensive income. Dividends are recognized in income when the right to receive them is attributed.

Impairment is not recognized for equity instruments at fair value through other comprehensive income, and the respective accumulated gains or losses are recorded in changes in fair value transferred to retained earnings at the time of their derecognition.

2.11.3 Financial assets at fair value through profit and loss

A financial asset is classified in the category "Financial assets at fair value through profit and loss" if the business model defined by the **Group** for its management or the characteristics of its contractual cash flows does not meet the conditions described above to be measured at amortized cost (2.11.1) or at fair value through other comprehensive income (FVOCI) (2.11.2).

Financial assets held for trading or management and whose performance is assessed on a fair value basis are measured at fair value through profit and loss because they are neither held for the collection of contractual cash flows nor the sale of these financial assets.

In addition, the **Group** may irrevocably designate a financial asset at fair value through profit or loss that meets the criteria to be measured at amortized cost or at FVOCI at the time of its initial recognition if this eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatch), that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis.

2.11.4 Derecognition of financial assets

i) The **Group** derecognizes a financial asset when, and only when:
- contractual rights to cash flows arising from the financial asset expire; or
- transfers the financial asset as defined in points ii) and iii) below and the transfer meets the conditions for derecognition in accordance with point iv).

ii) The **Group** transfers a financial asset if, and only if, one of the following occurs:
- transfer the contractual rights to receive the cash flows resulting from the financial asset; or
- retain the contractual rights to receive the cash flows arising from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients in an agreement that satisfies the conditions set out in point (iii).

iii) When the **Group** retains the contractual rights to receive cash flows from a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'final recipients'), the **Group** treats the transaction as a transfer of a financial asset if, and only if, all three conditions are satisfied:
- the **Group** has no obligation to pay amounts to final recipients unless it receives equivalent amounts resulting from the original asset. The short-term advances by the entity with the right to full recovery of the amount borrowed plus interest at market rates do not violate this condition;
- the **Group** is prohibited by the terms of the transfer agreement from selling or pledging the original asset other than as a guarantee to final recipients for the obligation to pay them cash flows; and
- the **Group** has an obligation to remit any cash flow it receives on behalf of the final recipients without significant delays. In addition, you are not entitled to reinvest these cash flows, except in the case of investments in cash or cash equivalents (as defined in IAS 7 Cash Flow Statements) during the short liquidation period between the date of receipt and the date of delivery required of final recipients, and interest received as a result of such investments is passed on to final recipients.

iv) When the **Group** transfers a financial asset (see item ii above), it must assess to what extent it retains the risks and benefits arising from the ownership of that asset. In this case:
- if the **Group** transfers substantially all the risks and benefits arising from the ownership of the financial asset, it derecognizes the financial asset and separately recognizes as assets or liabilities any rights and obligations created or retained with the transfer;
- if the **Group** retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.
- if the **Group** does not transfer or substantially retain all risks and rewards of ownership of the financial asset, it must determine whether it has retained control of the financial asset. In this case:
  - if the **Group** has not retained control, it must derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained with the transfer; and
  - if the **Group** has retained control, it must continue to recognize the financial asset to the extent of its continued involvement in the financial asset.

v) The transfer of risks and benefits referred to in the previous point is assessed by comparing the **Group's** exposure, before and after the transfer, to the variability of the amounts and times of occurrence of the net cash flows resulting from the transferred asset.

vi) The question whether the **Group** retained the control or not (see item iv above) of the transferred asset depends on the ability of the transferee to sell the asset. If the transferee has the practical capacity to sell the asset in its entirety to an unrelated third party and is able to exercise that capacity unilaterally and without the need to impose additional restrictions on the transfer, the entity is deemed not to have retained control. In all other cases, the entity shall be deemed to have retained control.

2.11.5 Loans written off

The **Group** recognizes a credit written off when it does not have reasonable expectations to recover an asset in whole or in part. This recognition occurs after all the recovery actions developed by the **Group** prove to be fruitless. Credits written-off from assets are recorded in off-balance sheet accounts.

2.11.6 Modification of financial assets

If the conditions of a financial asset are modified, the **Group** assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered to have expired and the principles described in note 2.11.4 Derecognition of financial assets.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the **Group** first recalculates the gross book value of the financial asset by applying the original effective interest rate of the asset and recognizes the resulting adjustment as gain or loss of the modification in the profit or loss statement. For variable rate financial assets, the original effective interest rate used to calculate the gain or loss of the modification is adjusted to reflect current market conditions at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross book value of the modified financial asset and are amortized over the remaining term of the modified financial asset.

2.12 Equity

As instrument is classified as an equity instrument when there is no contractual obligation for its settlement to be carried out through the delivery of cash or another financial asset, regardless of its legal form, showing a residual interest in the assets of an entity after deducting all its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognized against equity as a deduction to the value of the issue. Amounts paid or received due to sales or acquisitions of equity instruments are recorded in equity, net of transaction costs.

Costs related to an issue of equity which has not been completed are recognized as costs.

Distributions to holders of equity instruments are debited directly from the equity as dividends when declared.

Own shares are recorded at their acquisition value, as a reduction in equity, under the caption “Own shares” and the gains or losses inherent to their disposal are recorded in “Other reserves”.

When any subsidiary company acquires shares in the parent company (own shares) the payment, which includes directly attributable incremental expenses, is deducted from equity attributable to equity holders of the parent company until the shares are cancelled, reissued or disposed of.

When such shares are subsequently sold or reissued, any receipt, net of directly attributable transaction expenses and taxes, is reflected in the equity of the equity holders of the company, in other reserves.

The extinction of own shares is reflected in the financial statements as a reduction in share capital and in the caption Own shares, at nominal and acquisition value, respectively, with the difference between the two amounts recorded in Other reserves.

2.13 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Debt

Loans are recorded as liabilities at the carrying value received, net of issuance expenses, corresponding to the respective fair value on that date. They are subsequently measured at amortized cost, with the corresponding financial costs calculated based on the effective interest rate and stated through the income statement according to the accrual basis assumption, with the due and unpaid amounts as at the reporting date being classified under the item of “Debt” (Note 31).

The effective interest rate is the rate that discounts future payments over the expected life of the financial instrument to the net carrying amount of the financial liability.

Accounts payable

Accounts payable classified as current liabilities are registered at their nominal value, which is substantially equivalent to their fair value.

Accounts payable classified as non-current liabilities, for which there is no contractual obligation to pay interest, are initially measured at their net present value and subsequently measured at their respective amortized cost, determined in accordance with the effective interest rate method.

Accounts payable (balances of suppliers and other creditors) are liabilities related to the acquisition of goods or services, in the normal course of its business. If their payment falls due within one year or less, then they are classified as current liabilities. Otherwise, they are classified as non-current liabilities.

Confirming

The **Group** contracts confirming operations with financial institutions, which are classified as reverse factoring agreements. Within the scope of these protocols, some suppliers freely enter into agreements with these financial institutions that allow them to anticipate the receivable of covered credits. When the economic substance of financial liabilities does not change, the **Group** maintains the accounting classification of those credits under the caption "Accounts payable" until their due date under the normal terms of the supply contract entered into between the **Group** and the supplier, which occurs whenever:

i. the maturity period corresponds to a period usually practised in the industry in which the **Group** operates. This fact is verified because there are no changes in payment terms for terms outside the range that is normally applicable to other suppliers that have not adhered to the aforementioned program,

ii. The **Group** does not support additional charges with the advance payment operation, compared to the alternative payment on normal maturity.

When the nature of the operations does not meet the requirements defined above, the group reclassifies the liability to "Debt".

Supplier confirming operations are classified as "Cash flow from operating activities" in the statement of cash flows, when they meet the criteria defined above.

Derivative financial instruments

Derivative financial instruments are recorded at fair value on the date on which the Group negotiates the contracts and are subsequently measured at fair value. Fair value is obtained through quoted market prices in active markets, including recent market transactions, and valuation models, namely: discounted cash flow models and option valuation models. Derivatives are considered as assets when their fair value is positive and as liabilities when their fair value is negative. Revaluation results are recognized in "Results from assets and liabilities at fair value through profit or loss".

Certain derivatives embedded in other financial instruments, such as indexing the performance of debt instruments to the value of shares or share indices, are bifurcated and treated as separate derivatives, when their risk and economic characteristics are not clearly related to those of the contract. host and this is not measured at fair value with changes recognized in profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognized in the income statement.

Derivatives are also recorded in off-balance sheet accounts at their theoretical value (notional value).

Non- derivatives banking financial liabilities
The non-derivatives banking financial liabilities include mainly deposits from costumers. These financial liabilities are recognized (i) initially at their fair value less the transaction costs and (ii) subsequently at amortized cost, based on the effective interest rate method.

The **Group** derecognize financial liabilities when they are cancelled, extinguished or expired.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Share-based payments

The benefits granted to the executive members of the Board of Directors and CTT's top management under the long-term remuneration plans are recorded in accordance with the requirements of IFRS 2 – Share-based payments.

In accordance with IFRS 2, the benefits granted to be paid on the basis of own shares (equity instruments), are recognised at fair value at the date of allocation.

Since it is not possible to estimate reliably the fair value of the services received from employees, their value is measured by reference to the fair value of equity instruments.

The fair value determined at the date of allocation of the benefit is recognised as a linear cost over the period in which it is acquired by the beneficiaries as a result of their services, with the corresponding increase in equity.

When settlement is made in cash, the value of these liabilities is determined at the time of assignment and subsequently updated, at the end of each reporting period, depending on the number of shares or stock options assigned and their fair value at the date of reporting. The liability is recorded in "Staff costs" and "Other liabilities", in a straight-line manner between the date of attribution and the maturity date, in proportion to the time elapsed between those dates.

2.16 Securitization operations

The Group has four consumer credit securitization operations in progress (Ulisses Finance No.1, Chaves Funding No.8, Ulisses Finance No.2 and Ulisses Finance No.3) and one finance lease securitization operation (Fénix 1), in which it was the originator of the securitized assets. Regarding the Ulisses Finance No.1, Chaves Funding No.8, Ulisses Finance No.2 and Ulisses Finance No.3 operations, the **Group** maintained control over the assets and liabilities to the extent that it acquired their residual tranches. These entities are consolidated in the Group's financial statements in accordance with accounting policy 2.2.

Additionally, the **Group** is the sole investor in the Next Funding No.1 securitization operation, whose underlying asset is the credit card balances originated by the Universo credit card issued by Sonae Financial Services. This entity is consolidated in the Group's financial statements in accordance with accounting policy 2.2.

2.17 Impairment of financial assets

Impairment losses

The **Group** determines the expected credit losses of each operation as a result of the deterioration of credit risk since its initial recognition. For this purpose, operations are classified in one of the following three stages:

- Stage 1: operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected to 12 months).

- Stage 2: operations in which there has been a significant increase in credit risk since its initial recognition, but which are not impaired, are classified in this stage. Impairment losses associated with operations classified at this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (expected lifetime losses).
- Stage 3: operations in an impairment situation are classified in this stage. Impairment losses associated with operations classified at this stage correspond to expected lifetime losses. Credit operations purchased or originated in impairment situation (Purchased or Originated Credit-Impaired – POCI) are also classified in stage 3.

Forward looking information

For models based on historical data, namely those applicable to Auto Credit, the use of a Forward-Looking component based on macroeconomic variables with historical series and projections of suitable organisms that are considered relevant for the purposes of estimating default probabilities is expected. In this case, the Gross Domestic Product, the Unemployment Rate and the Harmonized Index of Consumer Prices were selected.

At the reference date, and as a result of the last revision of the Model, this component was not being applied since there were no explanatory and intuitive statistical relationships between these variables and the behavior of the historical data used.

Also for the credit card portfolio, whose model is also based on historical data, there is a forward looking methodology that is also based on economic variables (collected from the Economic Bulletins of Banco de Portugal with projections), namely the unemployment, Harmonized Index of Consumer Prices, Private consumption, Exports of goods and services and GDP at market prices. Performing several tests with several combinations, a set of statistical results is obtained that evaluate the correlation of the variables with the Default Probabilities. Up to the reference date, the results were neither relevant nor statistically robust enough for the inclusion of the component in the model.

Lastly, in the case of home loans, for which historical data on defaults are virtually non-existent, it proved impossible to apply a statistically based forward-looking component, which is why it was decided to apply special conservatism in the latest revisions of parameters based on benchmarks.

Significant increase in credit risk (SICR)

Banking activity

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, in order to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop); or
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

Non-banking activity

A significant increase in credit risk occurs if there is an objective evidence that the financial asset is impaired, by the existence of observable data, such as the following loss events: significant financial difficulty of the debtor; restructuring of an amount due to the **Group** in terms that it would not consider otherwise; a breach of contract, such as a default or delay in interest or principal payments; if it becoming probable that the borrower will enter bankruptcy, among others factors.

Definition of financial assets in default and in impairment

Customers who meet at least one of the following criteria are considered in default:
- Existence of installments of principal or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Claims in litigation;
- Cross-default credits;
- Credits restructured due to financial difficulties;
- Credits in quarantine default;
- Claims for which there is a suspicion of fraud or confirmed fraud; and;
- Credits with amounts written-off from assets.

Estimates of expected credit losses - Individual analysis

Clients who meet one of the following conditions are the subject of an individual analysis:
- CTT Bank's private clients with exposures above 500,000 Euros,
- Exposures to credit institutions, sovereign entities, central banks or companies through debt securities in stages 2 or 3;
- Clients from 321 Crédito with a factoring product;
- Clients with an equipment leasing product, whose active operations have an exposure greater than 70,000 Euros;
- Clients with a real statement leasing product whose active operations have an exposure greater than 75,000 Euros or whose LTV ratio is greater than 50% or nonexistent.

Estimates of expected credit losses - Collective analysis

Transactions that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis. The **Group**'s credit portfolio is divided by internal risk grades and according to the following segments:

Financial assets

Retail Offer	**Mortgage Loans**	Consists of the Bank's mortgage lending offer which has a residential real estate property as collateral, regardless of the degree of completion of its construction
	Overdrafts	Includes the Bank's overdraft offer and credit overrunning
	Car Credit	Includes 321 Crédito's used car loan with reservation of ownership
	Credit Cards	Includes the "Universo" Credit Card offer
Sovereign debt		Eurozone public debt securities and exposures obtained through the credit assignment contract
Corporate		Deposits and investments in other credit institutions, other financing granted to other credit institutions and corporate debt securities
Other		Several legacy portfolios of 321 Credit in run-off phase

The expected credit losses are estimates of credit losses that are determined as follows:
- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the **Group** expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross accounting value and the current value of the estimated cash flows;

- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the **Group** expects to receive;

The main inputs used to measure expected credit losses on a collective basis include the following variables:

- Probability of Default (hereinafter referred to as "Probability of Default" or "PD");
- Loss Given Default (hereinafter referred to as "Loss Given Default" or "LGD"); and
- Exposure at Default (hereinafter referred to as "Exposure at Default" or EAD).

These parameters are obtained through internal models, and other relevant historical data, taking into account already existing regulatory models adapted according to the requirements of IFRS 9.

PDs are calculated based on historical data, when available, or benchmarks, in the remaining cases. If there is a change in the degree of risk of the counterparty or exposure, the estimate of the associated PD also varies. The PDs are calculated considering the contractual maturities of exposures.

The **Group** collects performance and default indicators on its credit risk exposures with analysis by type of customers and products.

The LGD is the magnitude of the loss that is expected to occur if the exposure defaults. The **Group** estimates LGD parameters based on benchmarks and, in the segments where it exists, based on history. In the case of contracts secured by real estate, the LTV (loan-to-value) ratios are a highly relevant parameter in determining the LGD.

The EAD represents the expected exposure if the exposure and / or customer defaults. The **Group** derives EAD values from the counterparty's current exposure and potential changes to its current value as a result of contractual conditions. For commitments, the value of the EAD considers both the amount of credit used and the expectation of future potential value that may be used according to the contract.

As described above, with the exception of financial assets that consider a 12-month PD as they do not present a significant increase in credit risk, the **Group** calculates the amount of expected credit losses taking into account the risk of default during the maximum maturity period contract, even if, for the purposes of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the **Group** has the right to demand payment or terminate the commitment or guarantee.

For financial assets "Deposits in other credit institutions", "Investments in other credit institutions" and "Investments in securities", impairments are calculated by allocating:

i) a probability of default derived from the external rating of the issuer or counterparty, respectively; and
ii) a Loss Given Default (LGD) defined by the **Group**, based on data from Moody's rating agency, and depending on whether it is a Corporate or Sovereign entity.

Estimated expected credit losses - Receivables under IFRS 15

For receivables under IFRS 15, the **Group** and the **Company** apply a simplified impairment model, applying the practical expedient foreseen in IFRS 9, whereby several matrices were applied for the expected loss calculation based on the experience of actual historical losses over the period considered to be statistically significant (2 years), estimating loss rates by company and / or customer typology for the entire asset period, and not only for 12 months. The expected credit losses also incorporate a Forward-Looking component based on macroeconomic variables with historical series and suitable organisms' projections that are considered relevant for the purposes of default probabilities estimation, in this case the Gross Domestic Product.

The **Company** and the **Group** applied several matrices to calculate the expected losses of amounts receivable under IFRS 15, segmenting the expected losses calculation according to the company and the type of customer, considering the following different matrices:

- CTT customers - general customers;
- CTT customers - foreign operators;
- CTT Contacto customers;
- CTT Expresso customers - three different head offices based on the segmentation of general customers; and
- CTT Expresso customers - foreign operators.

The historical losses incurred are reviewed in order to reflect the differences between the expected economic conditions and those of the historical period used.

The expected losses are updated whenever there is a significant change in the credit risk in the company, changes in the type of customers or changes in the business or macroeconomic environment.

2.18 Inventories

Goods and raw materials, subsidiary materials and consumables are valued at the lowest cost between the acquisition cost and net realizable value, using the weighted average cost as the costing method.

The acquisition cost includes the invoice price and transport and insurance costs.

Net realizable value corresponds to the normal selling price less costs to complete production and costs to sell.

Whenever cost exceeds net realizable value, the difference is recorded in the operating costs caption "Cost of sales".

2.19 Non-current assets held for sale and discontinued operations

Non-currents assets are classified as held for sale, if the respective carrying value is expected to be realized through their sale rather than through continued use. It is considered that this situation occurs only when: (i) the sale is highly probable and the asset is available for immediate sale in its present condition, (ii) there is a commitment to sell, and (iii) the sale is expected to be completed within a 12-month period.

Non-current assets, which are classified as held for sale, are measured at the lowest between the carrying value before this classification and fair value minus costs to sell. Whenever the fair value is less than the carrying value, the difference is recognized in the item Depreciation / amortization and impairment of investments, net in the Income statement.

Non-current assets held for sale are presented in a separate caption in the consolidated statement of financial position.

Non-current assets held for sale are not depreciated or amortized.

In the scope of the banking activity and in the course of the current activity of granting credit, the **Group** runs the risk of not being able to have all of its credit reimbursed. In the case of loans with collateral, the **Group** proceeds to execute these assets in donation / adjudication to settle the credit granted.

Pursuant to the provisions of the General Regime of Credit Institutions and Financial Companies (RGICSF), banks are prevented, unless authorized by Banco de Portugal, from acquiring properties that are not essential for their installation and operation or for the pursuit of their corporate purpose (paragraph 1 of article 112 of the RGICSF), however, being able to acquire properties by reimbursement of their own credit, and the resulting situations must be regularized within a period of 2 years which, if there is a reason, may be extended by Banco de Portugal, in conditions that it determines (article114º of the RGICSF).

These assets are recorded, at their initial recognition, at the lower of their fair value less expected costs of sale and the balance sheet value of the credit granted under recovery (credit falling due in the case of finance lease contracts). Subsequently, these assets are measured at the lower of the initial recognition value and the fair value less costs to sell and are not depreciated.

Whenever the fair value, net of sales and maintenance costs (including haircuts defined in the discount table contained in Annex II of Circular Letter No. 2018/00000062) is found to be lower than the amount for which it is recognized in the **Group**'s consolidated statement of financial position, an impairment loss is recorded in the amount of the decrease in value ascertained. Impairment losses are recorded against profit or loss of the year. If the fair value net of selling costs, after the recognition of impairments, indicates a gain, the **Group** may reflect that gain up to the maximum amount of impairment that has been recorded on that asset.

Periodic property appraisals are carried out by independent appraisers specialized in this type of services.

Earnings from discontinued operations are presented on a specific line, in the income statement, after Income tax and before Net profit for the year.

Whenever the **Group** and the **Company** are committed to a plan to sell a subsidiary, which involves the loss of control over it, all the assets and liabilities of that subsidiary are classified as held for sale, provided they meet the above requirements, even if, after the sale, the **Group** and the **Company** still keep a residual interest in the subsidiary.

2.20 Distribution of dividends

The distribution of dividends, when approved by the shareholders at the Annual General Meeting of the **Company**, is recognized as a liability.

2.21 Employee benefits

GRI 201-3

The **Group** and the **Company** adopt the accounting policy for the recognition of its responsibilities for the payment of post-retirement healthcare and other benefits, the criteria set out in IAS 19, namely using the Projected unit credit method (Note 32).

In order to obtain an estimate of the value of the liabilities (Present value of the defined benefit obligation) and the cost to be recognized in each period, an annual actuarial study is prepared by an independent entity under the assumptions considered appropriate and reasonable. The present value of the defined benefit obligation is recorded as a liability under Employee benefits.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for post-employment benefits are recorded in other comprehensive income in the period in which they occur. Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions for other long-term benefits are recorded in the “Staff costs” caption.

The **Company** and the **Group** recognize in the "Staff Costs" caption the costs of current and past services. The net interest on the liability is recognized as a financial result in the caption “Interest expenses”.

Liabilities for Past Services are recognized immediately in the income statement.

Post-employment benefits – healthcare

- IOS Plan

Workers who are integrated in “Caixa Geral de Aposentações” ("CGA", General Retirement Pension Fund) and workers who are beneficiaries of the Portuguese state pension scheme (recruited as permanent staff of the Company after 19 May 1992 and up to 31 December 2009) are entitled to the healthcare benefits established in the CTT Social Works Regulation. These benefits are extended to all permanent workers of the company, whether they are still working, or are pensioners, or in a situation of pre-retirement or retirement.

Workers hired by the company after 31 December 2009, are only entitled to the benefits provided for in the state pension scheme while they remain bound to the Company by an individual employment contract, having no rights when they become pensioners, or in a situation of pre-retirement or retirement.

Healthcare benefits include contributions to the cost of medication, medical and surgical and nursing services, as well as auxiliary diagnostic means and hospital services, as defined in the CTT Social Works Regulation.

The financing of the post-retirement healthcare plan is ensured mostly by the Company and by the beneficiaries’ co-payment upon the use of certain services, and the remaining costs are covered by the fees paid by the beneficiaries.

The maintenance of the post-employment healthcare plan benefits requires that the beneficiaries (retirees and pensioners) pay a fee corresponding to 2.25% of their respective pension. Resulting from the amendment to the Healthcare Plan, the fee was unified, and the same fee is paid for each family member enrolled. In certain special situations, an exemption from the payment of the fee may be granted, either for the beneficiaries or for family members.

The healthcare plan is regulated by CTT’s Regulation of the Social Works and the management is ensured by Social and Health Management of the People and Culture Department of CTT, which in turn, hired Médis – Companhia Portuguesa de Seguros de Saúde, S.A. (Médis - Portuguese healthcare insurance company) to provide healthcare services. The contract with Médis has been in force since 1 January 2015.

The future liabilities with post-employment benefits arising from the past services of the **Group**'s employees are reflected in the **Group**'s financial statements through the recognition of a specific liability, with no plan or funding arrangement having been constituted to cover these responsibilities, being its financing made through the **Group**'s regular activity.

- Insurance policy

Following the Human Resources Optimization Program, initiated in 2016, the Company assured the workers, as part of the incentive package, the maintenance of a Healthcare Plan through a health insurance with identical coverage and co-payments, as laid down in the Regulation of the Social Works (ROS), in accordance with the following criteria:

- Workers aged 50 and over: maintenance of healthcare benefits for themselves and their family members enrolled according to ROS, through a health insurance policy, with payment of quotas in the same amount as they were paying (2.25% of their income), or higher if the future payments (if they will exist) will be higher, with mandatory delivery of income proof;

- Workers under the age of 50: maintenance of healthcare benefits according to ROS, through a health insurance policy, for a period of two years, exempt from the payment of the quota, after which they will not benefit from any healthcare solution supported by the Company.

At present, the management of this plan is carried out by Médis - Companhia Portuguesa de Seguros de Saúde, S.A..

- Post-Retirement Medical Care– SAMS

The company 321 Crédito, S.A. is responsible for paying medical care benefits to all its employees in a situation of retirement, as well as for survival pensioniers.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in Labor and Employment Bulletin ("BTE") nº 38 of 2017 of October 15.

For the liability calculation, the values of Annex III in the ACT are considered, which takes into consideration the growth rate of the salary table. For the length of service rendered, the seniority date in the group was considered.

On each reporting date, the company keeps a liability recorded based on an actuarial study prepared by a specialized and independent entity that quantifies the responsibilities for the payment of medical care charges as mentioned above.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2022, there were 149 active beneficiaries and 2 pensioners, benefiting from this type of health care.

Post-employment benefits – Pension Plan

The company CTT Expresso - Serviços Postais e Logística, S.A. pays to a closed group of employees of Transporta – Transportes Porta a Porta, S.A. (which was merged into CTT Expresso during the year 2019) in retirement situation, a supplementary retirement pension over the amounts paid by the Social Security.

At each reporting date, the **Group** maintains a liability based on an actuarial study prepared by a specialized and independent entity that quantifies the liabilities for the payment of supplementary pensions to employees of the company at the time it was acquired from the Portuguese State.

The present value of the defined benefit obligation and the cost of current services and past services are measured using the projected unit credit method.

As at 31 December 2022, there were 16 beneficiaries receiving this type of Complementary Pension Benefit.

Other long-term benefits

The **Group** and the **Company** also assumed, towards certain groups of workers, a series of constructive and contractual obligations, namely:

- Suspension of contracts, redeployment, pre-retirement contracts, and release from employment

The liability for the payment of salaries to employees in the above-mentioned situations or equivalent, is fully recognized in the income statement at the time they move into these conditions.

- Telephone subscription fee

CTT has assumed the obligation of the life-long payment, to a closed group of retired workers and surviving spouses (4,006 beneficiaries as at 31 December 2021 and 3,529 beneficiaries as at 31 December 2022) to those who benefited from it as at 01/06/2004, of the telephone rental charges, to a monthly amount of 15.30 Euros. During the year ended 31 December 2013, the Board of Directors of CTT, decided to modify the economic benefit. Thus, from 1 January 2014, the cash payment was replaced by a benefit in kind.

- Pensions for work accidents

The liabilities related to the payment of pensions for work accidents is restricted to workers integrated in CGA.

According to the legislation in force concerning employees integrated in CGA, CTT is liable for the costs incurred with pensions that have been attributed for damages resulting from accidents at work, and which have resulted in permanent disability or death of the worker. The value of these pensions is updated pursuant to a legal diploma.

The liabilities incurred up to 31 December 2015 will continue to be borne by CTT. As of 1 January 2016, CTT contracted an insurance policy to cover these responsibilities, as is already the case for Social Security workers.

As at 31 December 2021 and 31 December 2022 there were 65 beneficiaries, respectively, receiving this type of pension.

- Monthly life annuity (SMV)

This is an annuity provided for in the family benefits legal system set out in Decree-Law no. 133-B/97, of 30 May, as amended by the Declaration of Rectification no. 15-F/97, of 30 September, amended by Decree-Law no. 248/99, of 2 July, no. 341/99 of 25 August, no. 250/2001, of 21 September, and no. 176/2003, of 2 August.

Beneficiaries are workers, still working or retired, who have descendants over 24 years old, with physical, organic, sensorial, motor or mental disabilities, who are in a situation that prevents them from normally providing for their subsistence through the exercise of professional activity. In the case of beneficiaries integrated in the CGA, the cost of the monthly life annuity is the responsibility of CTT.

However, the SMV has been replaced by the Social Provision for Inclusion (which is intended to support persons with disabilities with the costs due to disability), established by Decree-Law no. 126-A/2017, of 6 October and anticipates that by 31 December 2023, it will cease to exist and, therefore, be paid by CTT.

The Social Provision for Inclusion is automatically allocated to the SMV beneficiaries covered by the Social Security system. However, as regards the workers who are beneficiaries of the convergent social protection regime, beneficiaries of the SMV, the Social Inclusion Benefit is not automatic, and the workers are required to request the respective conversion of the SMV, pursuant to article 52, paragraph 2 of Decree-Law no. 126-A/2017, of 6 October.

Accordingly, in order to inform the beneficiaries of these changes, the **Company** sent a letter to the CGA subscribing workers, former CGA retirees and attorneys-in-fact who have benefited from it, informing them that they should request, from the relevant Social Security services, the conversion of the SMV.

As at 31 December 2022 and 31 December 2021 there were 6 beneficiaries under these conditions, receiving a monthly amount of 177.64 Euros, 12 months a year until 2023, at most, date on which CTT will cease to pay this benefit. This amount is updated by an Implementing Order of the Ministry of Finance and the Ministry of Labour and Social Security.

- <u>End of Career Awards</u>

Under clause 69 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15^{th}, 321 Crédito, S.A. undertook the commitment to, on the retirement date, due to disability or old age, grant the employee a premium in the amount equal to 1.5 times the effective monthly remuneration earned on that date. In the event of death on the job, a premium shall be paid in the amount equal to 1.5 times the effective monthly remuneration that the worker earned at the date of death.

For this purpose, the base salary, seniority and all extra components are considered. It is presumed that their salary growth will be higher than that of the salary table in order to consider possible progressions.

The seniority periods are calculated according to the value established in Annex II of the ACT, including the increase resulting from the number of years of service.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected credit unit method.

- <u>Death allowance resulting from an accident at work</u>

In the sphere of 321 Crédito, death arising from a work accident shall give rise to the payment of a capital sum – death allowance – as defined in Clause 72 of the collective bargaining agreement referred to above. For the liability related to allowances due to death arising from a work accident, the calculation uses the value established in Annex II of the collective bargaining agreement, considering the growth rate of the salary table and the probabilities of death due to a work accident.

The liability was established based on an actuarial study prepared by a specialized and independent entity and measured using the projected unit credit method.

- <u>Defined contribution plan – Open Pension Fund or Retirement Savings Plan</u>

Following the remuneration model of the Statutory Bodies defined by the Remuneration Committee, a fixed monthly amount was determined to be allocated to an Open Pension Fund or Retirement Savings Plan to be attributed to the executive members of the Board of Directors.

This contribution falls into the definition of a defined contribution plan. Under a defined contribution plan, fixed contributions are paid into a fund but there is no legal or constructive obligation to further payments being made if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The obligation is therefore effectively limited to the amount agreed to be contributed to the fund and the actuarial and investment risk is effectively placed on the employee. For defined contribution plans, the amount recognized in the period is the contribution payable in exchange for services rendered by employees during the period. Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.

2.22 Provisions and contingent liabilities

Provisions (Note 33) are recognized when, cumulatively: (i) there is a present obligation (legal or constructive) arising from a past event, (ii) it is probable that its payment will be demanded, and (iii) there is a reliable estimate of the value of this obligation.

The amount of the provisions corresponds to the present value of the obligation, with the financial updating being recorded as a financial cost under the heading Interest expenses (Note 51).

The provisions are reviewed on every reporting date and are adjusted in order to reflect the best estimate at that date.

Provision for financial investments

Whenever losses in the subsidiaries or associated companies exceed the investment made in these entities, the carrying value is reduced to zero and the recognition of future losses is discontinued, except in what concerns the part in which the **Group** or the **Company** incurs in any legal or constructive obligation to assume all these losses on behalf of the associated or subsidiary company, in which case a Provision is recorded for investments in associated companies.

Restructuring provisions

Restructuring provisions are made whenever a detailed formal restructuring plan has been approved by the **Group** and it has been launched or publicly disclosed, which identifies:

- The business or part of the business concerned;
- The main affected locations;
- The location, function and approximate number of employees who will be compensated for the cease of their services;
- The expenditures that will be undertaken;
- When the plan will be implemented; and
- It raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The restructuring provision includes direct expenditures arising from the restructuring, which are those entailed by the restructuring, or not associated with the ongoing activities of the entity.

The restructuring provision does not include the costs of retraining or relocating continuing staff, marketing and investments in new systems and distribution networks and are recognized on the same basis as if they appeared independently of a restructuring in the period that they occur.

The expected gains on assets disposals are not taken into account in a restructuring provision measurement, even if the assets sale is seen as part of the restructuring.

Dismantling costs provisions

Provisions are made for dismantling costs, costs of removal of the asset and costs of restoration of the site of certain assets, when these assets are in use and it is possible to reliably estimate the respective obligation, or when there is a contractual commitment to restore the spaces rented by third parties. When the time value effect is material, the environmental liabilities that are not expected to be settled in the near future are measured at their present value.

Provisions for litigations in progress

A provision for litigation in progress is recorded when there is a reliable estimate of costs to be incurred due to legal actions brought by third parties, based on the evaluation of the probability of payment based on the opinion of the lawyers.

Provision for onerous contracts

A provision for onerous contracts is measured at the present cost whenever the unavoidable costs to satisfy the contract's obligations exceeds the expected financial benefits that will be received under the same.

Contingent assets and liabilities

Whenever any of the conditions for the recognition of provisions is not met, the events are disclosed as contingent liabilities (Note 33). Contingent liabilities are: (i) possible obligations which arise from past events and whose existence will only be confirmed by the occurrence, or not, of one or more future events that are uncertain and not fully under the **Company**'s control, or (ii) present obligations which arise from past events, but which are not recognized because it is not probable that an outflow of resources which incorporates economic benefits will be necessary to settle the obligation, or the value of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

Contingent assets and liabilities are evaluated continuously to assure that the developments are reflected properly in the financial statements.

If it becomes probable that an outflow of future economic benefits will be demanded for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period when that change in probability occurs.

If it becomes virtually certain that an economic benefits inflow will occur, the asset and related revenue are recognized in the financial statements of the period when the change will probably occur.

The **Group** does not recognize contingent assets and liabilities.

2.23 Revenue

The revenue is measured by the amount that the entity expects to be entitled to receive under the contract entered into with the customer.

The revenue recognition model is based on five steps in order to determine when the revenue should be recognized and the amount:

1) Identify the contract with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price; and
5) Recognize revenue.

The revenue is recognized only when the "performance obligation" is met and depends on whether the "performance obligations" are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time. Revenue is measured at the fair value of the consideration received or receivable, net of VAT, rebates and discounts.

The revenue regarding the provision of postal services, namely the sales of philatelic and pre-paid products, is recognized only when the performance obligation is satisfied, i.e., only at the moment of the effective utilization of the products for mail delivery purposes. However, as some of these products have never been used by the clients, for example the philatelic products for stamps collection, CTT performed a customer survey in order to obtain information regarding the use pattern of these products and, in this way, assess the percentage of the products that are not expected to be used. In these situations, the revenue should be recognized at the time of the sale. In the remaining situations, the revenue is deferred in accordance with the referred standard of use.

The revenue from the rendering of express services is recognized only when the performance obligation is satisfied, i.e., only when the mail or parcel is delivered to the final customer, being the revenue deferred until that moment.

The revenue from the sale of merchandising products from postal business is recognized when the products are transferred to the buyer, which usually occurs at the time of the transaction, being at that time fulfilled the "performance obligation”.

The revenue from PO Boxes is recognized over the term of the contracts. By subscribing to the “PO Boxes” service, CTT customers can receive their mail at a PO box in a CTT store instead of receiving mail at their home or company headquarters. Customers pay a single annual fee for subscribing to the service, with no additional fee being paid depending on the amount of correspondence received. Thus, a single performance obligation was identified corresponding to the provision of the PO box over the period of 1 year, with revenue fully allocated to the only performance obligation identified and recognized linearly over the contract period (1 year).

The revenue and costs relative to international mail services, estimated based on surveys and indexes agreed with the corresponding postal operators, are recognized in temporary accounts in the month that the traffic occurs. The initial revenue amount is recognized in the caption “Sales and services rendered” and accounts receivable. Thus, a temporary account is an account receivable, whose amount is the best CTT’s estimate for the amount that will be invoiced by the corresponding postal operators. This temporary amount is subject to the confirmation of the counterparties, namely the volume/ weights carried and the process is managed by a compensation camera.

At the time of the final confirmation moment, the differences between the temporary amount from account receivables and the confirmed amount is recognized in the caption “Sales and services rendered” in the income statement. Historically, these differences are not significant.

The fees from collections made and from the sale of financial products are recognized on the date that the client is charged. Only the fee from collections charged by CTT is recognized as revenue, as CTT acts as an agent. The recognized revenue corresponds only to the commission charged by CTT, which acts as an agent. The amounts are settled by offsetting accounts. Regarding this, CTT deducts to the amount delivered to its customers for the collections made on customers behalf and for the financial products sales in CTT stores, the commissions amount owed in the scope of its agent performance.

The performance obligation underlying the recognition of revenue resulting from collections made by the issuer and the sale of financial products corresponds to financial intermediation in the sale / placement / redemption of financial products and collection of invoices on behalf of counterparties in intermediation contracts. The remuneration of these contracts is variable according to IFRS 15, as CTT is entitled to receive a fixed amount as a “bonus performance” when selling / placing / redeeming financial products or collecting invoices on behalf of counterparties in intermediation contracts, considering the goals/ targets defined in the contracts. This component is estimated according to the “most likely amount”, considering the intermediation amounts of the year.

Recognition of revenue in the “business solutions” line occurs when the performance obligation is satisfied, that is, on the effective date of the provision of the service to the customer. The contracts associated with each project are broken down by task (performance obligations), and the amount to be applied to each transaction is determined and the recognition made on the date on which it is satisfied.

In the case of product sales, revenue is recognized only when the product is delivered to the customer. Revenue from outsourcing projects is recognized as a single performance obligation on a straight-line basis over the period, with the exception of projects that vary depending on the service actually provided whose revenue is recognized at the time this provision occurs.

The main entities with “customer” contractual position and the frequency of the account offset are as follow:

Product/ Service	Partner/ Customer	Frequency/ account offset
Postal savings certificates/ treasury	IGCP	daily
Postal collection	All entities that request the colletion service to CTT, but essentially are the utilities companies and city councils	daily
Insurance/ RSP	Fidelidade, Mapfre and Metlife	daily
Western Union	Western Union	twice a week
Penalties	ANSR	daily
Collection titles	Unions	daily

The **Group** acts as an agent in these transactions to the extent that:

- Does not obtain control of the goods or services provided to end customers;
- It does not have any inventory risk (not applicable in this type of services);
- It is not identified by the end customer as the party responsible for fulfilling the performance obligations; and
- The price of the financial product is not defined by the **Group.**

Regarding the definition of prices for services provided within the scope of the Universal Postal Service concession for the year 2022, which acted as a transition period, the prices implemented by CTT presented a maximum annual average variation of 6.80%, which considers the drop in traffic observed in the first nine months of 2021 and the variation in the Consumer Price Index for the Transport expense class, as disclosed by INE for the month of October 2021.

As communicated to the market on 26 January 2023, the update of the basket prices of mail services, editorial mail and parcels covered by the Universal Service Price Agreement regime was established, which will take place from 1 March 2023, corresponding to an average annual price variation of 6.58%. The global average annual variation in prices, also reflecting the effect of updating special mail prices in volume, will be 6.24%.

The revenue from interest is recognized using the effective interest rate method, provided that it is probable that economic benefits will flow into the **Group** and the **Company**, and their amount can be measured reliably.

The **Group** and the **Company** register a portion of the interest received from deposits in other operating income, specifically interest from short-term deposits in the Financial Services segment. The **Group** and the **Company** consider the temporary investment of funds received and to be paid to third parties as one of the main operational objectives of its Financial Services segment. In the cash flow statement, this portion of interest is recognized as operating cash flow.

Within the scope of banking activity, the income from services, fees and commissions is recognized as follows:

- Fees and commissions that are earned in the execution of a significant act, are recognized as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognized as income in the period that the services are provided; and

- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recorded through profit or loss using the effective interest rate method.

In the banking activity, interest income and expense for financial instruments measured at amortized cost and at fair value through other comprehensive income are recognized in Financial margin, through the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established in the initial recognition of financial assets or liabilities and is not subsequently reviewed.

For calculating the effective interest rate, it is estimated future cash flows considering all contractual terms of the financial instrument but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction.

In the case of financial assets or groups of similar financial assets for which impairment losses have been recognized, interest recorded in interest and similar income is determined based on the interest rate used to measure the impairment loss.

The **Group** and the **Company** do not recognize interest for financial assets in arrears for more than 90 days.

The revenue recognition criteria associated to the provision of the insurance mediation service is presented in note 2.29.

2.24 Subsidies obtained

Subsidies are recognized when there is reasonable assurance that they will be received and that the **Group** and the **Company** will comply with the conditions required for their attribution.

Investment subsidies associated to the acquisition or production of tangible fixed assets are initially recognized in non-current liabilities and are subsequently allocated, on a systematic basis, as revenue for the period, consistent and proportional to the depreciation of the assets acquired through these subsidies.

Operating subsidies, namely those for employee training, are recognized in the income statement, within the periods necessary to match them with the expenses incurred, to the extent that these subsidies are not refundable.

2.25 Leases

The **Group** leases several buildings and vehicles. Lease contracts are usually negotiated for fixed periods, but extension options may exist, although in most contracts the renewal periods require the agreement of the lessor and lessee. Rental terms and conditions are negotiated on an individual basis.

The **Group** and the **Company** determine whether a contract is a lease or includes a lease on the contract's start date.

When it comes to a lease agreement, the **Group** and the **Company** account right-of-use (RoU) assets, which are recognized in the item of Tangible fixed assets with the corresponding lease liabilities, on the date when the control over the use of the asset leased is transferred to the **Group** or the **Company.**

The **Group** and the **Company** do not use the practical expedients permitted by IFRS 16 of not considering short-term leases (12 months or less) or leases of low-value underlying assets, and the respective payments are considered for the determination of the right-of-use assets.

The **Group** and the **Company** use the practical expedient allowed by IFRS 16 to not separate the lease and non-lease components.

Lease liabilities are initially measured at the present value of the lease payments that fall due after the lease comes into effect, discounted at the implied interest rate of the contract. When this rate cannot be determined, the **Group'**s incremental interest rate is used, corresponding to the interest rate that the lessee would have to pay to obtain an asset of similar value in an economic environment with comparable terms and conditions.

Lease payments included in the measurement of lease liabilities include: fixed payments, less lease incentives receivable; variable payments that depend on an index or rate; amounts expected to be paid by the lessee as guarantees of residual value; the exercise price of a call option if the lessee is reasonably certain to exercise that option; penalty payments to terminate the lease, if the lease term reflects the exercise of the termination option.

The lease liability is measured at amortized cost, using the effective interest method and is remeasured when there are changes to future payments resulting from the application of indexes or rates or if there are other changes such as the change in the lease term, change in expectation about exercising a purchase option, renewing the term or terminating the contract. In these cases, the **Group** and the **Company** recognize the amount of the remeasurement of the Lease Liability as an adjustment to the Assets under the Right- of-Use. When the Liabilities remeasured are greater or less than the Assets of the right of use, the difference is recognized in the income statement under “Gains/losses on disposal/ remeasurement of assets”.

For the lease term determination, the Group and the Company consider:

- the broader economics of the contract, and not only contractual termination payments, evaluating if either a party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is considered enforceable beyond the date on which the contract can be terminated; and

- whether each of the parties has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, a lease is no longer enforceable only when both parties have such a right. Consequently, if only one party has the right to terminate the lease without permission from the other party with no more than an insignificant penalty, the Group and the Company consider that the contract is enforceable beyond the date on which the contract can be terminated by that party.

The Rights-of-Use assets are presented in an isolated class, integrating the item of Tangible fixed assets, initially measured at the cost model, which comprises the initial value of the lease liability, adjusted for any payment made before the start date of the contract. lease, plus any initial costs incurred and an estimate for costs of dismantlement (when applicable), less any incentives received. The Right-to-Use asset is subsequently depreciated using the straight-line method in accordance with the lease term. The Right-of-Use is periodically adjusted by certain remeasurements to the Lease liabilities, namely by updating indexes or price renegotiations, and by impairment losses (if any).

Variable rents that do not depend on an index or rate are not included in the measurement of the Lease Liability or the Right-of-Use asset. Such payments are recognized as expenses in the period in which the event or condition giving rise to payments occurs.

When the **Group** or the **Company** transfers an asset to a third party, and simultaneously enters into a lease agreement for the same asset with that third party, the **Group** and the **Company** apply the requirements of IFRS 15 to determine whether the transfer qualifies as a sale of the asset.

If the transfer qualifies as a sale transaction, the **Group** and the **Company** will measure the Right-of-Use asset of the leaseback as a proportion of the previous net book value that relates to the Right-of-Use retained by the **Group** or **Company**, recording a gain or loss in proportion to the rights transferred to the third party.

If the fair value of the sale's retribution of the asset is not equivalent to its fair value, or if the lease payments do not correspond to market values, the **Group** or **Company** will make the following adjustments to measure the results of the sale at fair value: Any terms below the market will be recorded as prepayment of the lease; and any terms above market will be accounted as an additional financing provided by the third party to the **Group** or **Company.**

When the **Group** or **Company** subleases part of the Right-of-Use asset to another entity, it starts to act as lessee in relation to the main lessor and as sublease in relation to the sublease.

As a sublease, the **Group** and the **Company** determine at the lease start date, whether the lease qualifies as financial or operational, considering: i) as the underlying asset of the sublease contract, the Right-of-Use asset recognized in the main lease agreement ; and ii) as the discount interest rate, the interest rate implicit in the sublease or the incremental interest rate of the main lease.

When the sublease contract qualifies as a finance lease, the **Group** and the **Company** derecognize the Right-of-Use asset, and record a balance receivable from the sub-leaseholder, which is subsequently settled by recording accrued interest and repayments made by the sub-leaseholder.

2.26 Borrowing costs

Financial charges related to loans are recognized in net profit, when incurred. However, interest expenses are capitalized when loans are directly attributable to the acquisition or construction of an asset that requires a substantial period of time (over one year) to reach its intended use.

Financial charges on loans obtained are recorded as financial expenses in accordance with the effective interest rate method.

2.27 Taxes

Corporate income tax ("IRC")

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded under net income, unless they refer to items recorded directly in equity. In these cases, deferred taxes are also recorded under equity.

Current tax payable is based on the taxable income for the period of the **Group** companies included in the consolidation, calculated in accordance with the tax criteria prevailing at the financial reporting date. Taxable income differs from accounting income, since it excludes various costs and revenues which will only be deductible or taxable in other financial years. Taxable income also excludes costs and revenues which will never be deductible or taxable. The amount of current tax payable or receivable is the best estimate of the amount expected to be paid, reflecting the existence of uncertainty about the tax treatment of income taxes, if any, according to IFRIC 23 - Uncertainty about tax treatment of income tax. The estimate is made based on the most likely method, or, if the resolution can dictate ranges of values in question, use the expected value method.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences. However, this recognition only takes place when there are reasonable expectations of sufficient future taxable profits to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected in the same period that the deferred tax assets may be used. On each reporting date, a review is made of these deferred tax assets, which are adjusted according to expectations on their future use.

Deferred tax assets and liabilities are measured using the tax rates which are in force on the date of the reversal of the corresponding temporary differences, based on the taxation rates (and tax legislation) which are enacted, formally or substantially, on the reporting date, reflecting the existence of uncertainty about the tax treatment of income taxes.

CTT is covered by the special regime applicable to the taxation of groups of companies, which includes all companies in which CTT holds, directly or indirectly, at least 75% of the share capital and which are simultaneously resident in Portugal and taxed under IRC except, NewSpring Services, S.A., MedSpring, S.A. and Fundo TechTree. The remaining companies are taxed individually according to their respective taxable income at the applicable tax rates.

Until 2020 inclusive, Banco CTT and its subsidiaries, eligible to be part of the RETGS, receive from CTT the amount referring to the tax loss with which it contributes to the consolidated IRC of the CTT group and, in the same way, pay CTT the amount referring to the its positive contribution to the consolidated IRC of the CTT group. As of 2021, Banco CTT Group is considered to be a “tax sub-consolidated” within the regime in which CTT – Correios de Portugal, S.A. are the dominant society. In this way, the subsidiaries of Banco CTT carry out the IRC settlements to Banco CTT, and the this pays or receives the net amount calculated for Grupo Banco CTT to the aforementioned parent company. In the event that there are historical amounts receivable from CTT by the Bank, any IRC payments to CTT are settled through the use/reduction of the amount receivable, with effective payment only taking place after there are no historical amounts receivable. The accounts payable by the parent company are currently a remunerated debt to the subsidiary.

Value Added Tax (“VAT”)

For purposes of VAT, the **Company** follows the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, having various exempted operations in its activity that fall under the provisions of article 9 of the Portuguese VAT Code, as well as to other non-exempted operations which are subject to VAT, and for this reason, using the effective allocation method and the pro rata method. In a similar situation is also Banco CTT, which due to the nature of its operations, essentially financial operations, also uses the pro rata method for VAT purposes. The other **Group** companies, with fiscal residence in Portugal, also follow the normal monthly regime, in accordance with the provisions of paragraph 1(a) of article 41 of the Portuguese VAT Code, performing mostly non-exempted operations, thus being subject to VAT.

2.28 Accrual basis

The revenues and costs are recorded according to the accrual basis, and therefore, are recognized as they are generated, regardless of the time they are received or paid. Differences between the revenues and costs generated and the corresponding amounts invoiced are recorded in “Other current assets” or in “Other current liabilities”. Prepaid revenues and costs paid in advance are recorded under the heading Prepayments, under liabilities and assets, respectively.

2.29 Provision of the insurance mediation service

CTT, S.A., Banco CTT, 321 Crédito, and MedSpring, S.A. are entities authorized by the Insurance and Pension Funds Supervisory Authority (“ASF”) to practice insurance mediation, in the category of Linked Insurance Mediator, according to the article 8, subparagraph a), subparagraph i), of Decree-Law no. 144/2006, of July 31, developing the activity of insurance mediation in the life and non-life lines.

Within the scope of insurance mediation services, the **Group** sells insurance contracts. As remuneration for insurance brokerage services, the **Group** receives insurance contract brokerage commissions, which are defined in agreements / protocols established with Insurance Companies.

Commissions received by insurance mediation services are recognized in accordance with the principle of accrual basis, so commissions whose receipt occurs at a different time in the period to which they refer are recorded as an amount receivable under an "Other current assets" caption.

2.30 Judgements and estimates

In the preparation of the consolidated and individual financial statements, judgements and estimates were used which affect the reported amounts of assets and liabilities, as well as the reported amounts of revenues and costs during the reporting period. The estimates and assumptions are determined based on the best existing knowledge and on the experience of past and/or current events considering certain assumptions relative to future events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the situations in question might differ from their corresponding estimates.

The main judgements and estimates made in the preparation of the financial statements arise in the following areas:

i) <u>Tangible fixed and intangible assets / estimated useful lives (notes 5 and 6)</u>

Depreciation/amortization is calculated on the acquisition cost using the straight-line method, from the month when the asset is available for use. The depreciation/amortization rates that are applied reflect the best knowledge on the estimated useful life of the assets. The residual values of the assets and their respective useful lives are reviewed and adjusted, when deemed necessary.

ii) <u>Impairment of Goodwill and investment in subsidiaries, associated companies and joint ventures (notes 9, 10, 11 and 12)</u>

Goodwill and Investments in subsidiaries, associated and joint ventures are tested at least once a year, with the purpose of verifying if they are impaired, in accordance with the policy referred to in Note 2.19. The calculation of the recoverable amounts of the cash generating units involves a judgment and substantially relies on the analysis of the Management related to the future developments of the respective subsidiary. The assessment underlying the calculations that have been made uses assumptions based on the available information, both concerning the business and macro-economic environment. The variations of these assumptions can influence the results and consequent recording of impairments.

iii) <u>Impairment of accounts receivable (note 25)</u>

The **Group** and the **Company** record expected credit losses of each operation as a result of the deterioration of the credit risk since its initial recognition. In case of expected losses in account receivables in the scope of IFRS 15 the **Group** and the **Company** applied the simplified method calculating expected credit losses until maturity for all account receivables based on past records of credit losses throughout the period considered statistically relevant, estimating the rate of expected losses by companies and customer typology.

iv) Financial instruments – IFRS 9

Classification and measurement (notes 14, 15, 20, 35 and 36)

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows, to conclude on whether they correspond only to payments of principal and interest on the principal in debt) and the business model test.

The **Group** determine the business model taking into account the manner in which the groups of financial assets are managed as a whole to achieve a specific business goal. This assessment requires judgement, as the following aspects must be considered, among others: the way that asset performance is assessed; and the risks that affect the performance of the assets and how these risks are managed.

The **Group** monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognized before their maturity, in order to understand the reasons underlying their divestment and to determine if they are consistent with the objective of the business model defined for these assets. This monitoring is inserted within the **Group'**s process of continuous assessment of the business model of the financial assets that remain in the portfolio, in order to determine whether it is appropriate, and if it not, whether there has been a change of the business model and consequently a prospective change of the classification of these financial assets.

Impairment losses in financial assets at amortized cost and debt instruments at fair value through other comprehensive income (note 25)

The determination of the impairment losses of financial instruments involves judgements and estimates relative to the following aspects, among others:
Significant increase of credit risk: Impairment losses correspond to the expected losses in case of default over a time horizon of 12 months for assets at stage 1, or estimated maturity if lower, and the expected losses considering the probability of occurrence of a default event any time up to the maturity date of the financial instrument for assets at stage 2 and 3. An asset is classified at stage 2 whenever there has not been a significant increase in its credit risk since its initial recognition. The **Group'**s assessment of the existence of a significant increase of credit risk considers qualitative and quantitative information, reasonable and sustainable.
Definition of group of assets with common credit risk features: When the expected loan losses are measured on a collective basis, the financial instruments are grouped together based on common risk features. This procedure is necessary to ensure that, in case there is a change of the credit risk features, the segmentation of the assets is reviewed. This review can give rise to the creation of new portfolios or to the transfer of the assets to existing portfolios, which better reflect their credit risk features.
Probability of default: The probability of default represents a determinant factor in the measurement of the expected loan losses. The probability of default corresponds to an estimate of the probability of default in a particular time period, calculated based on benchmarks or using market data.
Loss given default: Corresponds to an estimated loss in a default scenario. This is based on the difference between the contractual cash flows and those that the **Group** expects to receive, via cash flows generated by the business of the client or credit collateral. Loss given default is calculated based on, among other aspects, the different scenarios of recovery, historical information,

market information, the costs involved in the recovery process and the estimated valuation of the collateral associated to credit operations.

Fair value of derivative financial instruments (note 15)

Fair value is based on market quotations when available and, in their absence, is determined based on the use of prices from recent, similar transactions carried out under market conditions or based on valuation methodologies, based on cash flow techniques. discounted cash futures considering market conditions, the effect of time, the yield curve and volatility factors. These methodologies may require the use of assumptions or judgments in estimating fair value. Consequently, the use of different methodologies or different assumptions or judgments in the application of a given model could lead to results different from those reported.

v) Deferred taxes (note 52)

The recognition of deferred tax assets assumes the existence of future net profit and taxable income. The deferred tax assets and liabilities were determined based on the tax legislation currently in force, or on legislation that has already been published for future application. Amendments to tax legislation may influence the value of the deferred taxes.

vi) Employee benefits (note 32)

The determination of the liabilities related to the payment of post-employment benefits, namely with healthcare plans, requires the use of assumptions and estimates, including the use of actuarial projections, discount rates and other factors that could have an impact on the costs and liabilities associated to these benefits. Any changes in the assumptions used, which are described in Note 32, will have an impact in the carrying amount of the employees' benefits. CTT has a policy of periodically reviewing the major actuarial assumptions.

vii) Provisions (note 33)

The **Group** and the **Company** exercise considerable judgement in the measurement and recognition of provisions. Judgement is required in order to assess the probability of litigation having a successful outcome. Provisions are recorded when the current lawsuits are expected to lead to the outflow of funds, the loss is probable and may be estimated reasonably. Due to the uncertainties inherent to the process of assessment, actual losses might be different from those originally estimated in the provision. These estimates are subject to changes as new information becomes available. Reviews to the estimates of these losses might affect future results.

viii) Lease liabilities (note 31)

The lease liabilities amount calculation requires the determination of the lease enforceable period, considering the lease economic aspects, and not just the termination payments, namely the existence of economic incentive from either party not to terminate the lease . Any changes in the lease term will have an impact on the lease liabilities book value. CTT periodically review the lease terms.

Sources of estimation uncertainty:

The main sources of uncertainties in the estimates performed are detailed below:

i) Energy transition

Climate change and the energy transition already impact the Group's activities in several ways today and will continue to influence business transformation in the future. The Integrated Report provides an extensive discussion of the Group's approach to identifying, assessing and managing the risks and opportunities associated with climate change. The greater attention of the different stakeholders to issues related to climate change may affect the perception and image they have of the CTT **Group**, with a potential negative and/or positive impact on the Company's reputation and revenues, making it essential to address the challenges associated with the transition energy and digital transformation to respond to multiple external forces and make informed and duly considered decisions at all levels of the **Group**.

In this sense, the **Group** continues to advance in its commitment to lead the energy transition, having defined a strong decarbonization plan with a view to achieving a Net-Zero balance of carbon emissions by 2030. It is also fully committed to the development of a model of medium and long-term sustainable business, being one of the signatories of the 10 principles of the UNGC – United Nations Global Compact. In particular, the **Group** considered the risks related to climate change and prioritized the contribution to the pursuit of the Sustainable Development Goals established by the United Nations in the preparation of the consolidated financial statements on 31 December 2022, which adequately reflect the effect of these goals on the assets, liabilities, gains and losses, incorporating, if necessary, material and foreseeable impacts as required by the IFRS.

The Group has also carefully assessed whether climate change issues have affected the reasonable and supported assumptions used to estimate expected cash flows. Where necessary, the Group also took into account the longer-term impact of climate change.

ii) <u>Economic Situation</u>

The year 2022 was marked, above all, by the armed conflict in Ukraine, with economic and social consequences at a global level. The increase in inflation has been higher and more persistent than initially expected, which led the Governing Council of the European Central Bank (BCE) to initiate a process of monetary policy normalization. Increases in interest rates have been reflected in the cost of financing for companies and families, with the aim of containing inflationary pressures. In the Eurozone, the rise in inflation mostly reflects the rise in prices of energy and food goods, initially as a result of the recovery in global demand in the post-pandemic period and, subsequently, aggravated by the invasion of Ukraine. Data from Banco de Portugal indicate that the Portuguese economy grows 6.7% in 2022 in a context of post-pandemic recovery, however, the negative effects of Russian military aggression in Ukraine were accentuated throughout the year, implying a relative stabilization of activity from the second quarter. The projections of the Bank of Portugal for 2023 indicate a slowdown in the growth of the Portuguese economy to 1.5%.

Next year will therefore be a challenging and uncertain year, with the economy conditioned by high inflation, more adverse financial conditions and great geopolitical uncertainty, whose impacts on the group are not quantifiable at the time.

However, in order to face the current economic context, the **Group** has adopted some mechanisms that aim to mitigate the adverse impacts that arise therefrom, namely:

a. Diversification in terms of contracted suppliers;
b. Diversification in the Group's offer of goods and services;
c. Contractual protection of supply prices for some energy goods, namely fuel;
d. Control and efficiency initiatives in internal cost management,
e. In terms of banking activity, and in order to also meet the expectations of supervisors, the Group recorded additional impairments in relation to the models in force for calculating collective impairment (overlays) in loan portfolios, namely, aggravating the PD parameters in Stage 1.
f. As communicated to the market on 26 January 2023, an update of the price of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to an average annual price variation of 6.58%, took effect as from

1 March 2023. The overall average annual variation in prices, also reflecting the effect of updating special bulk mail prices, will be 6.24%.

2.31 Cash Flow Statement

The Cash Flow Statement is prepared according to the direct method, through which cash receipts and payments relative to operating, investment and financing activities are disclosed.

Operating activities cover receipts from customers, payments to suppliers, payments to staff and other related to operating activity, namely income tax.

Investment activities namely include acquisitions and disposals in participated companies, payments and receipts arising from the purchase and sale of assets, and receipts of interest and dividends. Financing activities include payments and receipts relative to loans received, financial lease contracts, interest paid and payments of dividends.

Cash and cash equivalents

Cash and cash equivalents include the amounts recorded in the statement of financial position with a maturity less than three months from the balance sheet date, which includes cash and cash equivalents at credit institutions. It also includes other short-term investments, of high liquidity, insignificant risk of amount changes and convertible into cash, and also mandatory sight deposits with Banco de Portugal in order to satisfy the minimum cash reserves legal requirements (nota 23).

2.32 Subsequent events

Events occurring after the closing date until the date of approval of the financial statements by the Board of Directors, and which provide additional information about conditions existing at the date of the financial reporting, are reflected in the financial statements. Events occurring after the closing date, which indicate conditions arising after the date of the financial reporting, are disclosed in the notes to the financial statements, if considered relevant.

3. Changes to accounting policies, Errors and Estimates

In the year ended 31 December 2022, no accounting policy changes and no prior year's material errors were recognized in the preparation of the financial statements. The accounting policies have been consistently applied in all the present periods and for all **Group** companies.

The underlying estimates and assumptions were determined based on the best knowledge of the on-going events and transactions, at the time the financial statements were approved, as well as on the experience of past and/or current events. However, situations might occur in subsequent periods which, due to not having been predictable on the date of approval of the financial statements, were not considered in these estimates. Changes to estimates which occur after the date of the financial statements will be corrected prospectively. For this reason and in view of the associated degree of uncertainty, the real outcome of the transactions in question might differ from their corresponding estimates.

4. Segment reporting

In accordance with IFRS 8, the **Group** discloses the segment financial reporting.

The Board of Directors regularly reviews segmental reports, using them to assess and communicate each segment performance, as well as to decide on how to allocate resources.

Since 2021, in the segment reporting, the calculation of EBITDA was simplified with the inclusion of impairments and provisions and with the leases impact covered by IFRS 16. Accordingly, the only difference between EBITDA and EBIT is depreciation and amortization and specific items.

The CTT business is organized in the following segments:

- **Mail** – CTT Contacto, S.A., CTT Soluções Empresariais, S.A., New Spring Services S.A., CTT IMO - Sociedade Imobiliaria, S.A., MedSpring, S.A., CTT IMO Yield, S.A., CTT Services, S.A. and CTT, S.A. excluding:
    - Business related to postal financial services and retail products - Financial Services & Retail; and
    - The business of payments related with collection of invoices and fines, Western Union transfers, integrated solutions and tolls – Bank.

- **Express & Parcels** – includes CTT Expresso S.A., CORRE S.A., Fundo Inovação Techtree and Open Lockers, S.A.;

- **Financial Services & Retail** - Postal Financial Services and the products and services' sales in the retail network of CTT, S.A.; and

- **Bank** – Banco CTT S.A., S.A., Payshop S.A., 321 Crédito S.A. and CTT's payment business (mentioned above).

The business segregation by segment is based on management information produced internally and presented to the chief operating decision maker.

The segments cover the three CTT business areas, as follows:

- Postal Market, covered by the Mail segment;
- Express and Parcels Market, covered by the Express & Parcels segment; and
- Financial Market, covered by the Financial Services and Bank segments.

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position of each subsidiary and business unit is determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement for each business segment is based on the amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

However, as CTT, S.A. has assets in more than one segment it was necessary to split its income and costs by the various operating segments. The Internal Services Rendered refer to services provided across the different CTT, S.A. business areas, and the income is calculated according to standard activities valued through internally set transfer prices. The Mail segment provides internal services essentially related to the retail network (included in the Mail segment). Additionally, the Financial Services Segment uses the Retail network to sell its products. The use of the Retail network by other segments, as Express & Parcels and CTT Bank is, equally, presented in the line “Internal Services Rendered”.

Initially, CTT, S.A. operating costs are allocated to the different segments by charging the internal transactions for the services mentioned above. After this initial allocation, costs relating to corporate and support areas (CTT Central Structure) are allocated by nature to the Mail segment and others.

The consolidated income statement by nature and segment of 2021 and 2022 are as follows:

	31.12.2021				
Thousand Euros	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Revenues	**444,438**	**255,688**	**48,877**	**98,867**	**847,870**
Sales and services rendered	437,500	255,017	48,338	16,873	757,727
Sales	*15,006*	*215*	*14,264*	—	*29,485*
Services rendered	*422,494*	*254,802*	*34,074*	*16,873*	*728,243*
Financial Margin	—	—	—	55,776	55,776
Other operating income	6,938	671	540	26,218	34,366
Operating costs - EBITDA	**387,912**	**231,857**	**26,969**	**83,034**	**729,772**
Staff costs	290,134	29,927	1,041	25,756	346,859
External supplies and services	89,165	201,373	2,476	34,364	327,378
Other costs	20,292	1,554	13,408	8,866	44,120
Impairment and provisions	(1,831)	1,030	—	12,216	11,415
Internal services rendered	(9,847)	(2,027)	10,044	1,831	—
EBITDA	**56,526**	**23,830**	**21,909**	**15,834**	**118,099**
Depreciation/amortization and impairment of investments, net	38,826	11,410	100	7,670	58,006
EBIT recurring	**17,700**	**12,420**	**21,809**	**8,163**	**60,092**
Specific itens	13,672	876	1	(16,329)	(1,780)
Business restructurings	10,669	441	—	—	11,111
Strategic estudies and projects costs	1,063	124	—	413	1,600
Other non-recurring income and expenses	1,940	311	1	(16,741)	(14,490)
EBIT	**4,029**	**11,544**	**21,808**	**24,492**	**61,872**
Financial results					(11,065)
Interest expenses					*(8,532)*
Interest income					*25*
Gains/losses in subsidiary, associated companies and joint ventures					*(2,557)*
Earnings before taxes (EBT)					**50,808**
Income tax for the period					12,216
Net profit for the period					**38,591**
Non-controlling interests					187
Equity holders of parent Company					**38,404**

Thousand Euros	31.12.2022				
	Mail	Express & Parcels	Financial Services & Retail	Bank	Total
Revenues	**460,920**	**259,014**	**60,713**	**125,979**	**906,625**
Sales and services rendered	452,632	258,409	59,499	18,041	788,582
Sales	*35,375*	*23*	*14,252*	—	*49,650*
Services rendered	*417,258*	*258,386*	*45,247*	*18,041*	*738,932*
Financial Margin	—	—	—	74,357	74,357
Other operating income	8,288	605	1,214	33,580	43,686
Operating costs - EBITDA	**409,281**	**234,695**	**29,757**	**103,603**	**777,336**
Staff costs	293,488	29,756	1,017	27,582	351,843
External supplies and services	92,692	203,822	2,160	39,227	337,901
Other costs	36,636	1,847	13,433	9,370	61,286
Impairment and provisions	(2,460)	1,228	2,040	25,497	26,305
Internal services rendered	(11,075)	(1,958)	11,107	1,926	—
EBITDA	**51,639**	**24,319**	**30,955**	**22,376**	**129,290**
Depreciation/amortization and impairment of investments, net	40,943	15,795	109	7,931	64,777
EBIT recurring	**10,697**	**8,525**	**30,847**	**14,444**	**64,512**
Specific itens	14,199	3,113	10	(8,936)	8,385
Business restructurings	4,205	764	—	—	4,968
Strategic estudies and projects costs	3,787	144	—	345	4,275
Other non-recurring income and expenses	6,207	2,206	10	(9,281)	(858)
EBIT	**(3,502)**	**5,412**	**30,837**	**23,380**	**56,127**
Financial results					(9,413)
Interest expenses					*(9,256)*
Interest income					*30*
Gains/losses in subsidiary, associated companies and joint ventures					*(187)*
Earnings before taxes (EBT)					**46,714**
Income tax for the period					10,372
Net profit for the period					**36,342**
Non-controlling interests					(64)
Equity holders of parent Company					**36,407**

As at 31 December 2022, specific items amounted to a net loss of 8.4 million euros, which compares with a net gain of 1.8 million euros in 2021. In 2022, specific items are detailed according to the following categories: 1) corporate centre restructuring costs amounting to 5.0 million euros (as compared to 11.1 million euros in 2021), which includes primarily suspension agreements of employment contracts; 2) costs associated with strategic projects amounting to 4.3 million euros (as compared to 1.6 million euros in 2021), and 3) a non-recurring net gain amounting to (0.9) million euros (as compared to a gain of (14.5) million euros in 2021). This mainly includes (i) gains from the appreciation of contracted derivatives (9.7) million euros, which were partially offset by (ii) extraordinary compensation to the employees for coping with the macroeconomic context of inflation (2.4 million euros); (iii) the costs related to early exit from the former head office building (3.6 million euros); (iv) the provision increase for CTT Express to face the notification issued by the *Comisión Nacional de los Mercados y la Competencia* (1.9 million euros).

The valuation of the derivatives structure in the amount of 9.7 million euros, as mentioned above, results from the MTM (Mark to Market) of interest rate derivatives in the form of a Cap Agreement (associated with the securitization operations Ulisses 1 and Ulisses 2) and Interest Rate SWAP (associated with the Ulisses 3 securitization operation and an existing derivative at Banco CTT).

As at 31 December 2022, the revenue of “Mail”, “Express & Parcels” and “Bank” segments represented 51%, 29% and 14%, respectively, of the consolidated revenue. However, the external supplies and services costs allocated to those segments amounted to 27%, 60% and 12%, respectively, and the Staff costs amounted to 83%, 8% and 8%, respectively. The income statement captions for each segment have the underlying amounts booked directly in the companies' financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Therefore, the distribution of external supplies and services caption by each business areas results directly from the cost structure and resources effectively consumed by each entity of the related segment. For example, CTT Expresso has a cost structure with increased use of internal labour (Staff costs). The differences in the business of the several segments, namely, the subcontracting or use of internal labour, explain the difference between the weighting of each segment for the revenue and the services and external supplies and staff costs, namely in the Mail and Express & Parcels segments. Additionally, these differences are explained either by the expense's allocation mechanism related to corporate areas and supporting to the several segments through the internal services rendered previously mentioned.

The revenues are detailed as follows:

Thousand Euros	2021	2022
Mail	**444,438**	**460,920**
Transactional mail	361,244	341,650
Editorial mail	12,963	12,343
Parcels (USO)	7,903	7,690
Advertising mail	19,044	17,506
Philately	5,415	4,561
Business Solutions	29,023	67,258
Other	8,847	9,912
Express & Parcels	**255,688**	**259,014**
Portugal	135,139	132,185
Parcels	118,471	118,887
Cargo	8,177	4,889
Banking network	4,427	4,279
Logistics	3,153	3,433
Other	911	698
Spain	117,329	122,950
Mozambique	3,220	3,880
Financial Services & Retail	**48,877**	**60,713**
Savings & Insurance	23,931	34,152
Money orders	5,465	5,982
Payments	1,558	1,519
Retail	17,574	18,049
Other	350	1,011
Bank	**98,867**	**125,978**
Net interest income	55,776	74,357
Interest income (+)	57,948	80,960
Interest expense (-)	(2,171)	(6,602)
Fees & commissions income (+)	40,203	45,470
Credits	3,953	5,209
Savings & Insurance	5,963	7,660
Accounts and Cards	11,831	13,956
Payments	18,410	18,541
Other comissions received	46	105
Other	**2,888**	**6,151**
	847,870	**906,625**

The main changes in the **Group's** revenue compared with the previous year, are explained as follows:

- The 4% increase in the "Mail" segment was positively influenced in 2022 by the growth of the business solutions segment core business and for the acquisition of NewSpring Services on 30

August 2021, operating this entity as an integral part of the **Group**, during the 12 months of 2022. On the other hand, this segment was penalized by the sharp decrease in income from incoming international mail, impacted by the end of the VAT exemption that took place from 1 July 2021 on extra-community products of lower value (de minimis).

- The “Express & Parcels” segment saw an increase of 1% over the same period last year. It should be noted, that the first quarter of 2022 was impacted by a difficult comparison with the same period, since the first quarter of 2021 was marked by the effects of the restrictions of the COVID-19 pandemic, namely the second confinement, which strongly boosted the growth in e-commerce activity.

- The “Financial Services & Retail” segment saw an increase of 24%, benefiting, above all, in the second half of 2022, from the sharp increase in subscriptions to public debt securities compared to the first half of 2021, due to the fact that its attractiveness rising since the beginning of the year, as a result of a new environment of interest rates that improved the position of the public debt as an investment alternative.

- The “Bank” segment recorded a 27% increase in revenue. This growth was driven by growth in the auto loan portfolio, the consumer loan portfolio and interest received on home loans. Indeed, the reference rates for home loans experienced a strong growth in 2022, as a result of the rise in the key interest rates set by the European Central Bank (ECB), driven by the increase in inflation in the euro zone.

The revenue detail, related to sales and services rendered and financial margin, for the year ended 31 December 2021 and 31 December 2022, by the revenue’s sources identified in note 2.23 – Revenue, are detailed as follows:

	2021				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	408,677,229	—	—	—	408,677,229
Express services	—	255,016,463	—	—	255,016,463
Merchandising products sales	—	—	2,262,918	—	2,262,918
PO Boxes	—	—	1,700,741	—	1,700,741
International mail services (*)	28,822,897	—	—	—	28,822,897
Financial Services fees	—	—	44,373,771	72,649,693	117,023,464
"Sales and Services rendered" and "Financial Margin" total	**437,500,125**	**255,016,463**	**48,337,430**	**72,649,693**	**813,503,712**

(*) Inbound Mail

	2022				
Nature	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Postal Services	437,156,214	—	—	—	437,156,214
Express services	—	258,409,137	—	—	258,409,137
Merchandising products sales	—	—	1,864,982	—	1,864,982
PO Boxes	—	—	1,581,315	—	1,581,315
International mail services (*)	15,475,878	—	—	—	15,475,878
Financial Services fees	—	—	56,052,807	92,398,793	148,451,600
"Sales and Services rendered" and "Financial Margin" total	**452,632,091**	**258,409,137**	**59,499,105**	**92,398,793**	**862,939,125**

(*) Inbound Mail

The assets by segment are detailed as follows:

	31.12.2021					
Assets (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Non allocated assets**	**Total**
Intangible assets	21,289,971	6,849,250	174,038	26,927,847	8,266,141	63,507,247
Tangible fixed assets	227,402,730	62,708,795	64,571	4,227,555	1,883,926	296,287,578
Investment properties	—	—	—	—	6,327,424	6,327,424
Goodwill	17,430,813	2,955,753	—	61,084,749	—	81,471,314
Deferred tax assets	—	—	—	—	87,255,087	87,255,087
Accounts receivable	—	—	—	—	160,930,050	160,930,050
Credit to bank clients	—	—	—	1,541,908,493	—	1,541,908,493
Financial assets at fair value through profit or loss	—	—	—	27,261,085	—	27,261,085
Debt securities at fair value through other comprehensive income	—	—	—	6,094,910	—	6,094,910
Debt securities at amortized cost				334,160,519		334,160,519
Other banking financial assets	—	—	—	14,959,246	—	14,959,246
Other assets	14,891,188	17,690,710	34,608,628	6,739,026	12,627,597	86,557,151
Cash and cash equivalents	—	15,590,602	—	662,721,068	199,561,026	877,872,696
Non-current assets held for sale	—	—	—	605,798	—	605,798
	281,014,703	**105,795,111**	**34,847,237**	**2,686,690,296**	**476,851,252**	**3,585,198,598**

	31.12.2022					
Assets (Euros)	**Mail**	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Non allocated assets**	**Total**
Intangible assets	29,226,579	7,734,013	364,038	25,708,809	6,375,169	69,408,609
Tangible fixed assets	213,252,192	81,844,891	36,878	5,452,949	2,618,871	303,205,780
Investment properties	—	—	—	—	6,183,979	6,183,979
Goodwill	16,216,237	2,955,753	—	61,084,749	—	80,256,739
Deferred tax assets	—	—	—	—	67,823,608	67,823,608
Accounts receivable	—	—	—	—	147,130,876	147,130,876
Credit to bank clients	—	—	—	1,777,565,012	—	1,777,565,012
Financial assets at fair value through profit or loss	—	—	—	52,698,430	—	52,698,430
Debt securities at amortized cost	—	—	—	537,780,644	—	537,780,644
Other banking financial assets	—	—	—	462,187,527	—	462,187,527
Other assets	10,775,826	25,379,275	11,326,793	35,289,719	14,005,884	96,777,497
Cash and cash equivalents	—	23,442,625	—	130,359,498	302,667,177	456,469,298
Non-current assets held for sale	—	—	—	200		200
	269,470,834	**141,356,557**	**11,727,709**	**3,088,127,536**	**546,805,564**	**4,057,488,199**

The non-current assets acquisitions by segment, are detailed as follows:

	2021					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	10,687,971	3,967,727	125,669	3,897,385	—	18,678,753
Tangible fixed assets	20,153,598	23,903,875	—	1,561,666	458,948	46,078,087
	30,841,569	**27,871,602**	**125,669**	**5,459,051**	**458,948**	**64,756,839**

	2022					
	Mail	Express & Parcels	Financial Services & Retail	Bank	Non allocated assets	Total
Intagible assets	11,016,193	4,214,186	174,180	4,893,872	—	20,298,431
Tangible fixed assets	29,934,224	29,880,486	—	3,276,571	—	63,091,280
	40,950,416	**34,094,672**	**174,180**	**8,170,444**	**—**	**83,389,712**

The detail of the underlying reasons to the non-allocation of the following assets to any segment, is as follows:

- “Intangible assets” (6,375,169 Euros): the unallocated amount is related to part of the intangible assets in progress, which are allocated to the underlying segment in the moment they become firm assets;
- “Tangible fixed assets” (2,618,871 Euros): This amount corresponds to part of the tangible fixed assets in progress and advances payments to suppliers, which are allocated to the respective segment at the time of the transfer to firm assets;
- “Investment properties” (6,183,979 Euros): These assets are not allocated to the operating activity, which is why they are not allocated to any segment;
- “Deferred tax assets” (67,823,608 Euros): These assets are mainly comprised of deferred tax assets associated with employee benefits, being those related to the CTT, S.A. Health Plan the most relevant amount, as detailed in note 52 - Income tax for the period. Bearing in mind that CTT, S.A. is allocated to different segments, as already mentioned, the allocation of these assets to the different segments does not seem possible to be carried out reliably;
- “Accounts receivables” (147,130,876 Euros): This amount cannot be allocated, due to the existence of multi-products customers, whose receivable amounts correspond to more than one segment;
- “Other assets” (14,005,884 Euros): This amount is mainly related to investments in associated companies and investments in joint ventures, that are not allocated to the operating activity, which is why they are not allocated to any segment, as well as some captions of prepayments and other current and non-current assets, mostly related to CTT S.A., which are allocated to different segments and this allocation is not possible to be carried out reliably;
- “Cash and cash equivalents (302,667,177 Euros): the unallocated amount is related, essentially, to the cash and cash equivalents of CTT S.A., as this company concentrates the business segments’ Mail, Financial Services & Retail and Bank, and it is not possible to split the amounts of cash and bank deposits by each CTT’s businesses.

Debt by segment is detailed as follows:

	31.12.2021				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**114,127,927**	**33,250,570**	**34,807**	**1,923,133**	**149,336,438**
Bank loans	62,161,852	—	—	—	62,161,852
Lease liabilities	51,966,076	33,250,570	34,807	1,923,133	87,174,586
Current debt	**35,785,578**	**15,240,151**	**27,024**	**730,259**	**51,783,012**
Bank loans	14,436,742	7,732,258	—	—	22,169,000
Confirming	—	1,500,152	—	—	1,500,152
Lease liabilities	21,348,836	6,007,741	27,024	730,259	28,113,860
	149,913,506	**48,490,722**	**61,831**	**2,653,392**	**201,119,450**

	31.12.2022				
	Mail	**Express & Parcels**	**Financial Services & Retail**	**Bank**	**Total**
Non-current debt	**86,221,715**	**47,207,447**	**14,320**	**2,754,441**	**136,197,923**
Bank loans	40,706,101	—	—	—	40,706,101
Lease liabilities	45,515,614	47,207,447	14,320	2,754,441	95,491,822
Current debt	**43,016,079**	**15,550,912**	**18,221**	**1,171,532**	**59,756,744**
Bank loans	21,588,169	7,783,898	—	—	29,372,066
Lease liabilities	21,427,911	7,767,015	18,221	1,171,532	30,384,678
	129,237,794	**62,758,359**	**32,541**	**3,925,972**	**195,954,667**

The **Group** is domiciled in Portugal. The result of its Sales and services rendered by geographical segment is disclosed below:

Thousand Euros	2021	2022
Revenue - Portugal	576,756	602,999
Revenue - other countries	180,971	185,582
	757,727	788,582

The revenue rendered in other countries, includes the revenue from the Express & Parcels rendered in Spain by CTT Expresso branch in this country, in the amount of 118.875 thousand Euros.

5. Tangible fixed assets

During the years ended 31 December 2021 and 31 December 2022, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Group** were as follows:

Group	2021 Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,479,827	339,115,881	168,452,024	3,602,903	70,641,110	26,092,908	6,019,646	1,237,818	231,178,507	881,820,624
Acquisitions	90,151	1,147,764	4,148,073	13,168	1,139,994	1,524,618	5,878,872	3,525,258	—	17,467,898
New contracts	—	—	—	—	—	—	—	—	28,610,189	28,610,189
Disposals	(222,547)	(7,914,602)	(7,094,964)	(21,041)	(1,742)	—	—	—	—	(15,254,896)
Transfers and write-offs	275,780	7,653,725	2,551,680	—	(126,872)	(311,937)	(8,287,534)	—	(6,528,059)	(4,773,218)
Remeasurements	—	—	—	—	—	—	—	—	1,179,139	1,179,139
Adjustments	—	4,652	158,587	8,868	9,590	5,727	1,918	—	(558,663)	(369,322)
Lease Term Remeasurements	—	—	—	—	—	—	—	—	600,570	600,570
Change in the consolidation perimeter	—	469,081	868,215	3,500	393,551	58,375	—	—	2,189,935	3,982,657
Closing balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Accumulated depreciation										
Opening balance	3,723,758	227,546,379	138,324,288	3,395,091	64,977,312	20,231,064	—	—	128,613,895	586,811,787
Depreciation for the period	—	8,880,869	6,507,580	60,416	1,685,243	1,310,469	—	—	26,397,955	44,842,534
Disposals	(203,240)	(8,423,387)	(6,925,351)	(20,498)	(1,465)	—	—	—	—	(15,573,941)
Transfers and write-offs	42,108	1,588,052	7,155	—	(126,338)	(285,824)	—	—	(2,996,447)	(1,771,295)
Adjustments	—	1,640	79,391	4,395	7,848	5,347	—	—	—	98,621
Change in the consolidation perimeter	—	264,751	859,406	2,139	247,118	5,949	—	—	1,169,535	2,548,897
Closing balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**32,060,584**	**110,618,196**	**30,231,146**	**165,855**	**5,265,913**	**6,083,227**	**3,612,902**	**4,763,076**	**103,486,680**	**296,287,578**

Group	2022 Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	35,623,210	340,476,500	169,083,615	3,607,398	72,055,630	27,369,691	3,612,902	4,763,076	256,671,618	913,263,640
Acquisitions		510,894	4,542,226	175,677	2,448,334	1,112,055	6,899,239	1,008,038	—	16,696,462
New contracts	—	—	—	—	—	—	—	—	32,163,406	32,163,406
Disposals	(14,309)	(209,892)	(761,272)	—	(29,279)	—	—	—	—	(1,014,752)
Transfers and write-offs		2,475,616	8,272,318	(135,248)	(191,361)	(74,613)	(6,509,623)	(5,618,537)	(55,207,647)	(56,989,095)
Remeasurements	—	—	—	—	—	—	—	—	23,981,383	23,981,383
Adjustments	—	1,332	22,017	1,676	24,510	160,119	16,292	—	(4,192)	221,754
Closing balance	35,608,901	343,254,451	181,158,903	3,649,503	74,307,835	28,567,252	4,018,810	152,577	257,604,568	928,322,799
Accumulated depreciation										
Opening balance	3,562,627	229,858,304	138,852,469	3,441,543	66,789,717	21,267,005	—	—	153,184,938	616,956,602
Depreciation for the period	—	9,017,208	7,044,204	62,669	1,717,246	1,377,100	—	—	29,389,515	48,607,942
Disposals	(824)	(137,555)	(760,152)	—	(18,325)	—	—	—	—	(916,856)
Transfers and write-offs	—	(68,992)	(89,374)	—	(191,361)	(74,921)	—	—	(43,177,040)	(43,601,687)
Adjustments	—	526	65,316	1,429	2,300	1,547	—	—	347,773	418,891
Closing balance	3,561,803	238,669,491	145,112,462	3,505,640	68,299,578	22,570,731	—	—	139,745,187	621,464,892
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Increases	—	218,840	—	—	—	(3,335)	—	—	3,417,162	3,632,667
Closing balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Net Tangible fixed assets	**32,047,098**	**104,366,119**	**36,046,441**	**143,862**	**6,008,257**	**5,980,396**	**4,018,810**	**152,577**	**114,442,220**	**303,205,780**

The depreciation recorded in the **Group** amounting to 48,607,942 Euros (44,842,534 Euros on 31 December 2021), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 47).

In the **Group**, in the period ended 31 December 2021, the caption “Changes in the consolidation perimeter” refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. on the date of its acquisition, as explained in note 8.

During the years ended 31 December 2021 and 31 December 2022, the movements occurred in Tangible fixed assets, as well as the respective accumulated depreciation, regarding the **Company** were as follows:

	2021									
Company	**Land and natural resources**	**Buildings and other constructions**	**Basic equipment**	**Transport equipment**	**Office equipment**	**Other tangible fixed assets**	**Tangible fixed assets in progress**	**Advance payments to suppliers**	**Rights of use**	**Total**
Tangible fixed assets										
Opening balance	33,655,473	321,463,288	134,501,607	2,526,483	62,025,725	24,140,900	4,003,831	281,057	182,364,844	764,963,208
Acquisitions	—	—	1,381,225	1,036	729,906	827,303	2,561,892	458,948	—	5,960,310
New contracts	—	—	—	—	—	—	—	—	14,633,447	14,633,447
Disposals	(1,394,521)	(11,430,523)	(7,015,266)	(20,111)	(1,742)	—	—	—	—	(19,862,162)
Transfers and write-offs	275,780	7,343,054	7,064		270,939	(280,529)	(5,419,275)		(3,925,941)	(1,728,909)
Remeasurement	—	—	—	—	—	—	—	—	973,235	973,235
Adjustments	—	—	—	—	—	—	—	—	(103,073)	(103,073)
Other movements	—	—	—	—	—	40,970	—	—	—	40,970
Closing balance	32,536,732	317,375,819	128,874,630	2,507,407	63,024,828	24,728,644	1,146,447	740,005	193,942,512	764,877,025
Accumulated depreciation										
Opening balance	3,723,758	217,491,329	113,179,793	2,479,172	57,465,905	18,887,182	—	—	108,445,665	521,672,803
Depreciation for the period		8,152,295	4,223,497	10,884	1,155,935	1,191,200			19,952,128	34,685,940
Disposals	(203,240)	(8,423,387)	(6,877,036)	(20,110)	(1,465)				—	(15,525,238)
Transfers and write-offs	42,108	1,623,764	7,064		270,939	(278,003)			(1,178,979)	486,894
Closing balance	3,562,627	218,844,001	110,533,318	2,469,945	58,891,314	19,800,379	—	—	127,218,814	541,320,399
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Increases	—	—	—	—	—	—	—	—	—	—
Closing balance	—	—	—	—	—	19,460	—	—	—	19,460
Net Tangible fixed assets	**28,974,105**	**98,531,818**	**18,341,312**	**37,462**	**4,133,514**	**4,908,805**	**1,146,447**	**740,005**	**66,723,697**	**223,537,166**

Company	2022									
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Office equipment	Other tangible fixed assets	Tangible fixed assets in progress	Advance payments to suppliers	Rights of use	Total
Tangible fixed assets										
Opening balance	32,536,732	317,375,819	128,874,630	2,507,407	63,024,828	24,728,644	1,146,447	740,005	193,942,512	764,877,025
Acquisitions	—	(46,648)	1,860,328	150,275	1,892,652	889,154	3,181,661		—	7,927,423
New contracts	—	—	—	—	—	—	—	—	8,224,815	8,224,815
Disposals	(14,309)	(159,112)	(665,449)	—	(1,348)	—	—	—	—	(840,219)
Transfers and write-offs		1,760,906	(459,952)	(135,248)	—	(808)	(1,760,906)	(688,337)	(51,293,236)	(52,577,582)
Remeasurements	—	—	—	—	—	—	—	—	21,473,018	21,473,018
Adjustments	—	—	—	—	—	156,488	—	—	—	156,488
Closing balance	32,522,423	318,930,965	129,609,557	2,522,434	64,916,132	25,773,478	2,567,203	51,668	172,347,109	749,240,967
Accumulated depreciation										
Opening balance	3,562,627	218,844,001	110,533,318	2,469,945	58,891,314	19,800,379	—	—	127,218,814	541,320,399
Depreciation for the period	—	7,853,086	3,955,756	11,108	1,131,765	1,203,809	—	—	20,433,241	34,588,766
Disposals	(824)	(94,527)	(664,721)	—	(1,134)		—	—	—	(761,205)
Transfers and write-offs	—	(79,155)	—	—	—	—	—	—	(41,100,888)	(41,180,043)
Adjustments	—	—	—	—	—	—	—	—	347,722	347,722
Closing balance	3,561,803	226,523,405	113,824,354	2,481,053	60,021,946	21,004,188	—	—	106,898,889	534,315,638
Accumulated impairment										
Opening balance	—	—	—	—	—	19,460	—	—	—	19,460
Other variations	—	218,840	—	—	—	(3,335)	—	—	3,417,162	3,632,667
Closing balance	—	218,840	—	—	—	16,125	—	—	3,417,162	3,652,127
Net Tangible fixed assets	**28,960,619**	**92,188,719**	**15,785,203**	**41,381**	**4,894,186**	**4,753,164**	**2,567,203**	**51,668**	**62,031,058**	**211,273,202**

The depreciation recorded in the **Company** amounting to 34,588,766 Euros (34,685,940 Euros on 31 December 2021), is booked under the heading Depreciation/amortization and impairment of investments, net (Note 47).

In the **Group** and the **Company,** as at 31 December 2022, Land and natural resources and Buildings and other constructions include 458,441 Euros (490,537 Euros as at 31 December 2021), related to land and property in co-ownership with the company MEO – Serviços de Comunicações e Multimédia, S.A..

According to the concession contract in force (Note 1) at the end of the concession, the assets included in the public and private domain of the State revert automatically, at no cost, to the conceding entity. As the postal network belongs exclusively to CTT, not being a public domain asset, only the assets that belong to the State revert to it, and as such, at the end of the concession CTT will continue to own its assets. The Board of Directors, supported by CTT's accounting records and the statement of Directorate General of Treasury and Finance ("Direção Geral do Tesouro e Finanças"), the entity responsible for the Information System of Public Buildings ("Sistema de Informação de Imóveis do Estado" – SIIE) concludes that CTT's assets do not include any public or private domain assets of the Portuguese State.

As under the concession contract, the grantor does not control any significant residual interest in CTT's postal network and CTT being free to dispose of, replace or encumber the assets that integrate the postal network, IFRIC 12 - Service Concession Agreements is not applicable to the universal postal service concession contract.

During the year ended 31 December 2022, the most significant movements in Tangible Fixed Assets were the following:

<u>Buildings and other constructions:</u>

The movements associated to acquisitions and transfers mostly relate to the capitalization of repairs in own and third parties' buildings of CTT and CTT Expresso.

Basic equipment:

The amount related to acquisitions mainly concerns: i) the acquisition of motorcycles in the amount of 196 thousand Euros ii) the acquisition of mobile phones in the amount of 370 thousand Euros by CTT iii) the upgrade of mail handling machines in the amount of 79 thousand Euros iv) acquisition of several postal equipment in the amount 260 thousand Euros by CTT Expresso v) acquisition of motorcycles and goods vehicles in the amount 844 thousand Euros by CORRE and, vi) acquisition of lockers in the amount of 1,237 thousand Euros by Open Lockers.

The amount relating to transfers mainly concerns the entry into operation of the CTT Expresso "sorters" in the amount of 8,354 thousand euros, as well as the machine for handling orders subject to customs clearance ("Tax Machine") at CTT, in the amount of 688 thousand euros.

Office equipment:

The amount relating to acquisitions mainly concerns the acquisition of several microcomputer equipment in the amount of 1,165 thousand Euros, the acquisition of servers in the amount 574 thousand Euros and the acquisition of furniture in the amount 102 thousand Euros, at CTT, as well as the acquisition of several microcomputer equipment in the amount 158 thousand Euros and the acquisition of furniture in the amount of 56 thousand Euros at CTT Expresso.

Other tangible fixed assets:

The acquisitions caption essentially includes prevention and safety equipment in the amount of approximately 635 thousand Euros and the acquisition of air conditioning equipment for an approximate amount of 163 thousand Euros at CTT.

Tangible fixed assets in progress and advance payments to suppliers:

Under the caption of acquisitions of tangible fixed assets in progress and advances on account of investments, essentially, works in progress at CTT in the amount of 2,567 thousand euros and the sorters acquisition by CTT Expresso (Spain) in the amount of 1,215 thousand.

Rights of Use

The **Group** and **Company** recognized rights of use, detailed by type of asset, as follows:

Group	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	198,020,167	31,683,313	1,475,027	231,178,507
New contracts	25,753,442	2,720,633	136,114	28,610,189
Transfers and write-offs	(5,941,969)	(586,090)	—	(6,528,059)
Remeasurements	1,779,709	—	—	1,779,709
Regularizations	(557,788)	(876)	—	(558,663)
Changes in the consolidation perimeter	2,096,605	93,330	—	2,189,935
Closing balance	221,150,166	33,910,310	1,611,141	256,671,618
Accumulated depreciation				
Opening balance	117,290,196	10,510,125	813,574	128,613,895
Depreciation for the period	19,348,499	6,835,484	213,973	26,397,955
Transfers and write-offs	(2,614,116)	(382,331)	—	(2,996,447)
Changes in the consolidation perimeter	1,117,563	51,971	—	1,169,535
Closing balance	135,142,142	17,015,249	1,027,547	153,184,938
Net Tangible fixed assets	**86,008,024**	**16,895,061**	**583,595**	**103,486,680**

Group	2022			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	221,150,166	33,910,310	1,611,141	256,671,618
New contracts	24,666,056	3,892,932	3,604,418	32,163,406
Transfers and write-offs	(55,627,031)	901,179	(481,795)	(55,207,647)
Remeasurements	23,900,634	80,749	—	23,981,383
Regularizations	(6,272)	2,080	—	(4,192)
Closing balance	214,083,554	38,787,250	4,733,764	257,604,568
Accumulated depreciation				
Opening balance	135,142,142	17,015,249	1,027,547	153,184,938
Depreciation for the period	21,125,315	7,383,869	880,331	29,389,515
Transfers and write-offs	(42,812,311)	(273,521)	(91,208)	(43,177,040)
Regularizations	268,566	79,207	—	347,773
Closing balance	113,723,712	24,204,805	1,816,670	139,745,187
Accumulated impairment				
Opening balance	—	—	—	—
Increases	3,417,162	—	—	3,417,162
Closing balance	**3,417,162**	**—**	**—**	**3,417,162**
Net Tangible fixed assets	**96,942,681**	**14,582,445**	**2,917,094**	**114,442,220**

The depreciation recorded, in the **Group,** in the amount of 29,389,515 Euros (26,397,955 Euros on 31 December 2021), is booked under the heading Depreciation/amortization and impairment of investments, net.

As at 31 December 2021, the amounts related to changes in the consolidation perimeter refer to the incorporation of New Spring Services and HCCM - Outsourcing Investment.

As at 31 December 2022, the caption “Transfers and write-offs” essentially books the adjustment of the right of use associated with the lease agreement of the former CTT headquarters building - Edifício Báltico, following the remeasurement of the underlying liability, carried out within the scope of the decision to change headquarters premises. During 2022, an amendment to the lease in force was identified which, embodied in a negotiation process in the pre-completion phase, which, because i) is not a separate lease; and ii) reducing the lease term, resulting in the adjustment of the right of use corresponding to a gross amount of 52,413 thousand euros and accumulated amortizations in the amount of 40,990 thousand euros, which together with the adjustment of the corresponding lease liability in the amount of 14,847 thousand euros, originated a gain of 3,424 thousand euros recognized under the caption “Gains/losses on sale/remeasurement of assets”. Additionally, on 31 December 2022, a new amendment to the aforementioned lease agreement was recorded due to a breach of agreed pre-contractual conditions which, once again, because i) it was not a separate lease; and ii) increasing the lease term, implied the remeasurement and recognition of the liability for the remaining term of the lease contract, in the amount of 14,231 thousand Euros, taking into account the discount rate in force on the date of this new amendment, as well as the corresponding right-of-use asset recognized under “Remeasurements” caption, in the same amount. With reference to 31 December 2022, an impairment loss was recognized for the aforementioned right of use, in the amount of 3,636 thousand Euros, which corresponds to the period in which there is an expectation that the right of use do not generate economic benefits for the Group because the building is vacant. Additionally, an amount of 4,282 thousand Euros was recognized under the caption “New Contracts”, relating to the lease agreement for the new CTT headquarters building – Green Park.

Company	2021			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	153,166,617	28,095,257	1,102,970	182,364,844
New contracts	12,755,684	1,877,763	—	14,633,447
Transfers and write-offs	(3,595,527)	(330,414)	—	(3,925,941)
Remeasurements	973,235	—	—	973,235
Adjustments	(103,073)	—	—	(103,073)
Closing balance	163,196,935	29,642,606	1,102,970	193,942,512
Accumulated depreciation				
Opening balance	98,648,880	9,295,832	500,953	108,445,665
Depreciation for the period	13,849,801	5,953,042	149,285	19,952,128
Transfers and write-offs	(1,038,989)	(139,989)	—	(1,178,979)
Closing balance	111,459,692	15,108,885	650,238	127,218,814
Net Tangible fixed assets	**51,737,243**	**14,533,722**	**452,732**	**66,723,697**

Company	2022			
	Buildings	Vehicles	Other assets	Total
Tangible fixed assets				
Opening balance	163,196,935	29,642,606	1,102,970	193,942,512
New contracts	4,649,910	3,246,160	328,746	8,224,815
Transfers and write-offs	(52,576,774)	1,283,538	—	(51,293,236)
Remeasurements	21,473,018	—	—	21,473,018
Closing balance	136,743,089	34,172,304	1,431,716	172,347,109
Accumulated depreciation				
Opening balance	111,459,692	15,108,885	650,238	127,218,814
Depreciation for the period	13,772,344	6,436,814	224,083	20,433,241
Transfers and write-offs	(41,100,888)	—	—	(41,100,888)
Regularizations	268,566	79,155	—	347,722
Closing balance	84,399,714	21,624,854	874,320	106,898,889
Accumulated impairment				
Opening balance	—	—	—	—
Increases	**3,417,162**	**—**	**—**	**3,417,162**
Closing balance	3,417,162	—	—	3,417,162
Net Tangible fixed assets	**48,926,213**	**12,547,450**	**557,395**	**62,031,058**

The depreciation recorded, in the **Company**, in the amount of 20,433,241 Euros (19,952,128 Euros on 31 December 2021), is booked under the caption "Depreciation/amortization and impairment of investments, net".

The information on the liabilities associated with these leases as well as the interest expenses can be found disclosed on Debt (Note 31) and Interest expenses and income (Note 51), respectively.

In 2022, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

The **Group** and the **Company** assessed the existence of impairment indicators of tangible and intangible assets allocated to each segment as of 31 December 2022.

The tangible and intangible assets impairment allocated to the cash-generating unit Mailtec, Transporta, Tourline and 321 Crédito was assessed together with the impairment tests on Goodwill and investments (Note 9).

Regarding the tangible and intangible assets associated with the mail business developed by CTT and the business developed by Banco CTT, the **Group** assessed the existence of signs of impairment, comparing the amount of non-current assets allocated to the respective businesses with the respective operating results, not indications of impairment were identified in the aforementioned segments.

The **Group** did not also identify any impairment indicators in tangible and intangible assets of the Express & Parcels business in CTT Expresso, whose ratio compared to the related operating profit improved in the current year.

According to the impairment tests performed and analysis of impairment signs, with the exception of the amount relating to the right to use the Baltic building mentioned above, no other events or circumstances were identified that indicate that the amount for which the **Group**'s and the **Company**'s tangible fixed assets are recorded may not be recovered.

Other informations

The real estate assets of CTT are comprised of two portfolios with different characteristics:

1. Yield Portfolio:

As disclosed in a notice to the market on 19 June 2022, CTT is in exclusive negotiations, with a third party, for the management of this portfolio, which essentially comprises (1) the properties associated with the retail network of CTT and (2) warehouses and logistics and distribution centers of CTT's operational network in Portugal. As a result of this negotiation, on 31 October 2022, the company CTT IMO Yield, S.A. was created, with the purpose of holding and managing this income portfolio (note 8).

The management of this Yield Portfolio aims at the exploitation, internally and with third parties, of properties that are part of CTT's current and future network and which currently do not have relevant real estate development opportunities.

2. Development Portfolio

Regarding to the Development Portfolio, this comprises, among others, properties that may become, in the near future, non-essential for CTT's logistics networks and which have a potential for real estate development and promotion in specific projects.

There are no tangible fixed assets with restricted ownership or any carrying value relative to any tangible fixed assets which have been given as a guarantee of liabilities.

The **Group** and the **Company** contractual commitments, related to Tangible fixed assets at 31 December 2022, amount to 1,184,621 Euros and 873,056 Euros, respectively.

6. Intangible assets

During the years ended 31 December 2021 and 31 December 2022, the movements which occurred in the main categories of the **Group** Intangible assets, as well as the respective accumulated amortization, were as follows:

Group	2021					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	133,716,151	17,275,736	444,739	9,208,639	165,025,816
Acquisitions	—	2,269,684	1,129,377	—	15,279,692	18,678,753
Disposals	—	(255,750)	—	—	—	(255,750)
Transfers and write-offs	—	12,620,694	(102,919)	—	(12,621,044)	(103,269)
Adjustments	—	—	85,168	—	—	85,168
Changes in the consolidation perimeter	—	—	432,868	1,053,154	—	1,486,022
Closing balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Accumulated amortization						
Opening balance	4,378,267	90,676,717	11,509,131	444,739	—	107,008,855
Amortization for the period	1,272	11,694,901	1,366,535	—	—	13,062,708
Transfers and write-offs	—	(59)	(102,919)	—	—	(102,978)
Adjustments	—	—	45,958	—	—	45,958
Changes in the consolidation perimeter	—	—	281,178	1,053,154	—	1,334,332
Closing balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Accumulated impairment						
Opening balance	—	—	—	—	—	—
Impairment losses for the period	—	—	—	—	60,617	60,617
Closing balance	—	—	—	—	60,617	60,617
Net intangible assets	**1,013**	**45,979,220**	**5,720,345**	**—**	**11,806,669**	**63,507,247**

Group	2022					
	Development projects	Computer Software	Industrial property	Other intangible assets	Intangible assets in progress	Total
Intangible assets						
Opening balance	4,380,552	148,350,779	18,820,229	1,497,893	11,867,286	184,916,739
Acquisitions	—	2,324,541	861,415	—	17,112,475	20,298,431
Transfers and write-offs	—	18,791,615	(114,634)	(1,053,154)	(19,594,954)	(1,971,127)
Adjustments	—	—	24,387	—	50,177	1,938,894
Other movements - PPA New Spring Services	—	—	—	1,864,330	—	1,864,330
Closing balance	4,380,552	169,466,935	19,591,397	2,309,070	9,434,984	207,047,267
Accumulated amortization						
Opening balance	4,379,539	102,371,559	13,099,884	1,497,893	—	121,348,875
Amortization for the period	1,013	14,211,222	1,572,482	481,118	—	16,265,834
Transfers and write-offs	—	(686,343)	(114,564)	(1,053,154)	—	(1,854,061)
Adjustments	—	—	13,682	—	—	13,682
Closing balance	4,380,552	115,896,437	14,571,483	925,857	—	135,774,330
Accumulated impairment						
Opening balance	—	—	—	—	60,617	60,617
Impairment losses for the period	—	—	—	—	(60,617)	(60,617)
Closing balance	—	—	—	—	—	—
Net intangible assets	**—**	**53,570,497**	**5,019,914**	**1,383,213**	**9,434,984**	**69,408,609**

The amortization in the **Group** for the year ended 31 December 2022, amounting to 16,265,834 Euros (13,062,708 Euros as at 31 December 2021) was recorded under Depreciation / amortization and impairment of investments, net (Note 47).

In the **Group**, in the period ended 31 December 2021, the caption "Changes in the consolidation perimeter" refers to the balances of the companies HCCM - Outsourcing Investment, S.A. and NewSpring Services, S.A. . on the date of its acquisition (note 8).

In the period ended 31 December 2022, the caption "Other movements - PPA NewSpring Services" refers to the customer contracts portfolio acquired as part of the NewSpring Services' shares acquisition transaction, and determined within the PPA scope (note 8).

During the years ended 31 December 2021 and 31 December 2022, the movements which occurred in the main categories of the **Company** Intangible assets, as well as the respective accumulated amortization, were as follows:

Company	2021				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	74,827,542	8,662,441	4,144,364	91,351,674
Acquisitions	—	410,800	1,119,430	9,123,539	10,653,769
Transfers and write-offs	—	5,001,762	—	(5,001,762)	—
Closing balance	3,717,326	80,240,104	9,781,872	8,266,141	102,005,443
Accumulated amortization					
Opening balance	3,717,326	60,382,318	4,981,811	—	69,081,455
Amortization for the period	—	3,508,960	1,162,589	—	4,671,549
Closing balance	3,717,326	63,891,279	6,144,400	—	73,753,005
Net intangible assets	**—**	**16,348,825**	**3,637,472**	**8,266,141**	**28,252,438**

Company	2022				
	Development projects	Computer Software	Industrial property	Intangible assets in progress	Total
Intangible assets					
Opening balance	3,717,326	80,240,104	9,781,872	8,266,141	102,005,443
Acquisitions	—	234,823	802,270	10,090,592	11,127,685
Transfers and write-offs	—	11,981,563	—	(11,981,563)	—
Closing balance	3,717,326	92,456,490	10,584,142	6,375,169	113,133,128
Accumulated amortization					
Opening balance	3,717,326	63,891,279	6,144,400	—	73,753,005
Amortization for the period	—	4,881,679	1,259,615	—	6,141,294
Closing balance	3,717,326	68,772,958	7,404,015	—	79,894,299
Net intangible assets	**—**	**23,683,533**	**3,180,127**	**6,375,169**	**33,238,829**

The amortization in the **Company,** for the year ended 31 December 2022, amounting to 6,141,294 Euros (4,671,549 Euros as at 31 December 2021) was recorded under Depreciation / amortization and impairment of investments, net (Note 47).

The caption Industrial property in the **Group** includes the license of the trademark “Payshop International” of CTT Contacto, S.A., in the amount of 1,200,000 Euros. This license has an indefinite useful life, therefore it is not amortized, being subject to impairment tests on a minimum annual basis or when there are indications of impairment. See the main assumptions of the impairment test in note 9.

The transfers occurred in the year ended 31 December 2022 from Intangible assets in progress to Computer software refer to IT projects, which were completed during the year.

The amounts of 1,186,512 Euros and 2,270,912 Euros were capitalized in computer software or in Intangible assets in progress as at 31 December 2021 and 31 December 2022, respectively, related to **Company** staff costs incurred in the development of these projects.

During the year ended 31 December 2022, the most significant movements of the **Group** companies in Intangible assets were the following:

Computer software:

The acquisitions item essentially includes acquisitions by CTT Expresso of the “Minerva / web clients” software in the amount of 342 thousand euros, the CRM software in the amount of 120 thousand euros, the software “Nova Arquitetura” in the amount of 354 thousand Euros and the software “Portal de Fornecedores” (suppliers portal) in the amount of 185 thousand Euros, as well as the software “Accipiens” in the amount of 324 thousand Euros at 321 Crédito.

The amount of transfers essentially concerns the entry into operation of the CRM software (1,002 thousand euros), SAP Hana & Hybris (432 thousand euros), Collections Centralized Settlement (657 thousand euros), Deminimis (2,091 thousand euros) and Customer Area (1,788 thousand euros) thousands of euros).

Industrial property:

The acquisitions item essentially includes the acquisitions, by CTT, of “Storage and Backup” licenses worth 80 thousand Euros, CRM Oracle licenses worth 419 thousand Euros and “Desk Management” licenses worth 184 thousand Euros .

As at 31 December 2022 the **Group** and the **Company** Intangible assets in progress, relate to IT projects which are under development, of which the most relevant are:

	Group	Company
SAP RISE	699,742	699,742
ERP - SAP Success Factors	692,340	692,340
Super App CTT	587,650	587,650
Client Area B2B - Software	563,679	563,679
Lockers Tuga - Software	518,979	—
Client Area B2C - Software	474,944	474,944
New Ecosystem Operations - Software	464,265	—
OnBoarding Digital - software	415,749	415,749
Provider Portal - Software	385,600	—
New Mobile App for Field Force	276,451	276,451
Demiminis - Software	272,180	272,180
	5,351,577	**3,982,734**

The **Group** and the **Company** have not identified any relevant uncertainties regarding the conclusion of ongoing projects, nor about their recoverability. Even so, the recoverability of the values of intangible assets in progress was tested in the scope of impairment tests of the assets of the Cash Generating Unit to which they belong, with particularly emphasis on the assets related to the **Group's** businesses (Note 9).

As mentioned in note 5, according to the impairment tests performed and impairment indicators analysis, no events or circumstances were identified that indicate that the carrying amount of **Group**'s and **Company**'s intangible assets may not recovered.

Most of the projects are expected to be completed in 2023.

Regarding the economic period of 2022, the **Group** and the **Company** are still identifying and quantifying the expenses incurred, as disclosed in Note 52.

There are no Intangible assets with restricted ownership or any carrying value relative to any Intangible assets which have been given as a guarantee of liabilities.

In 2022, no interest on loans was capitalized, in the **Group** and in the **Company**, as no loans were directly identified attributable to the acquisition or construction of an asset that requires a substantial period of time (greater than one year) to reach its status of use.

Contractual commitments relative to the **Group** and the **Company,** at 31 December 2022, amount to 3,728,153 Euros and 484,401 Euros, respectively.

7. Investment properties

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** have the following assets classified as investment properties:

Group and Company	2021		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	3,192,033	13,282,551	16,474,584
Disposals	(26,832)	(126,599)	(153,431)
Transfers and write-offs	(275,780)	(1,925,784)	(2,201,564)
Closing balance	**2,889,422**	**11,230,168**	**14,119,589**
Accumulated depreciation			
Opening balance	202,509	8,745,858	8,948,368
Depreciation for the period	—	216,293	216,293
Disposals	(1,752)	(96,754)	(98,505)
Transfers and write-offs	(42,108)	(1,624,817)	(1,666,925)
Closing balance	**158,649**	**7,240,580**	**7,399,229**
Accumulated impairment			
Opening balance	—	450,308	450,308
Impairment for the period	—	(57,372)	(57,372)
Closing balance	—	392,936	392,936
Net Investment properties	**2,730,773**	**3,596,652**	**6,327,424**

Group and Company	2022		
	Land and natural resources	Buildings and other constructions	Total
Investment properties			
Opening balance	2,889,422	11,230,168	14,119,589
Disposals	(27,175)	(177,275)	(204,450)
Closing balance	**2,862,247**	**11,052,892**	**13,915,139**
Accumulated depreciation			
Opening balance	158,649	7,240,580	7,399,229
Depreciation for the period	—	210,263	210,263
Disposals	(3,081)	(128,433)	(131,513)
Closing balance	**155,569**	**7,322,410**	**7,477,979**
Accumulated impairment			
Opening balance	—	392,936	392,936
Impairment for the period	—	(139,754)	(139,754)
Closing balance	—	253,181	253,181
Net Investment properties	**2,706,679**	**3,477,300**	**6,183,979**

These assets are not allocated to the **Group** and the **Company** operating activities, being in the market available for lease.

The market value of these assets, which are classified as investment property, in accordance with the valuations obtained at the end of the fiscal year 2021 which were conducted by independent entities, amounts to 10,200,003 Euros (10,345,517 Euros as at 31 December 2021).

On 31 December 2021, the caption Transfers and Write-offs includes the amount of 2,201,564 Euros related to the transfer from Investment Properties, as well as the corresponding accumulated depreciations of 1,666,925 Euros of a group of properties that were again assigned to the operational activity of the **Group**.

Depreciation for the year ended on 31 December 2022, of 210,263 Euros (216,293 Euros on 31 December 2021) was recorded in the caption Depreciation/amortization and impairment of investments, net (Note 47).

As at 31 December 2022, the rents amount charged by the **Group** and **Company** for properties and equipment leases classified as investment properties was 38,135 Euros (2021: 32,367 Euros).

For the period ended 31 December 2021, impairment losses, amounting to (57,372) Euros, were recorded in the caption "Depreciation/amortization and impairment of investments, net" and are explained by the properties transferred to tangible fixed assets.

For the period ended 31 December 2022, impairment losses, amounting to (139,754) Euros, were booked in the caption "Depreciation/amortization and impairment of investments, net" and are explained by the valuations reported at the financial year-end whose amount for some properties was higher than the net value of impairment previously recorded.

8. Companies included in the consolidation

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Subsidiary companies

As at 31 December 2021 and 31 December 2022, the parent company, CTT - Correios de Portugal, S.A. and the following subsidiaries were included in the consolidation:

Company name	Place of business	Head office	2021 Percentage of ownership			2022 Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Parent company:								
CTT - Correios de Portugal, S.A.	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	—	—	—
Subsidiaries:								
CTT Expresso - Serviços Postais e Logística, S.A. ("CTT Expresso")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Payshop Portugal, S.A. ("Payshop")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT Contacto, S.A. ("CTT Con")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
CTT Soluções Empresariais, S.A. ("CTT Sol")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Correio Expresso de Moçambique, S.A. ("CORRE")	Mozambique	Av. 24 de Julho, 24, nr 1097, 3.º Floor, Bairro da Polana Maputo - Mozambique	50	—	50	50	—	50
Banco CTT, S.A. ("BancoCTT")	Portugal	Building Atrium Saldanha 1 Floor 3 1050 -094 Lisbon	100	—	100	100	—	100
Fundo Inovação TechTree ("TechTree")	Portugal	Av Conselheiro Fernando de Sousa, 19 13º Esq 1070-072 Lisbon	60	40	100	60	40	100
321 Crédito - Instituição Financeira de Crédito, S.A. ("321 Crédito")	Portugal	Av. Duque d'Ávila, 46, 7º B 1050-083 Lisbon	—	100	100	—	100	100
HCCM - Outsourcing Investiment, S.A. ("HCCM")	Portugal	Av. D. João II Nr 13 1999-001 Lisbon	—	100	100	—	—	—
NewSpring Services, S.A. ("NSS")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	100	100	—	100	100
CTT IMO - Sociedade Imobiliária, S.A. ("CTTI")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	100	—	100	100	—	100
Open Lockers, S.A. ("Lock")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	26	41	66	—	66	66
Med Spring, S.A. ("Med")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	—	100	100
CTT Services, S.A. ("Serv")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	—	100	100
CTT Imo Yield, S.A. ("IMOY")	Portugal	Avenida dos Combatentes Nr. 43, 14º Floor 1643-001 Lisbon	—	—	—	100	—	100

In relation to the company CORRE, as the **Group** has the right to variable returns arising from its involvement and the ability to affect those returns, it is included in the consolidation.

On 25 January 2021, CTT - Correios de Portugal, S.A. subscribed a share capital increase in the subsidiary Banco CTT, S.A., with a cash contribution in the amount of 10,000,000 Euros and with the issue of 10,000,000 new shares with no par value, ordinary, nominative and with an issue value of 1 Euro each. Banco CTT, S.A.'s share capital amounting to 286,400,000 Euros increased to 296,400,000 Euros.

On 30 August 2021, the total share capital of NewSpring Services, S.A. ("NewSpring Services") and its holding HCCM - Outsourcing Investment, S.A. ("HCCM – Outsourcing Investment"), companies operating in the Business Process Outsourcing (BPO) and Contact Center market were acquired for an amount of 10,701,086 Euros, which amount was fully satisfied by financial settlement on that date. See impact of acquisition on changes in consolidation perimeter below.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, S.A., was established with the purpose of the purchase, exchange, sale and lease of real estate, and resale of the acquired assets for this purpose.

On 30 December 2021, the company Open Lockers, S.A was established. This company resulted from a partnership agreement between CTT and YunExpress, the logistics business unit of the Chinese company Zongteng Group, which resulted in the creation of this partnership that aims to manage the business of a locker network for parcel pick-up in Portugal and Spain. CTT holds a 66% majority participation in the new company and YunExpress holds a 34% participation.

On 26 January 2022, CTT IMO was subject to a capital increase in the form of supplementary capital in the amount of 7,150,000 Euros.

On 9 March 2022, the entity MedSpring, S.A., owned by NewSpring Services, was established, whose corporate purpose is insurance mediation in the category of insurance agent.

As of 31 March 2022, CTT - Correios de Portugal, S.A. and CTT - Soluções Empresariais - S.A. proceeded with the sale of their investments in Open Lockers, S.A., of 25.5% and 15%, respectively, to CTT Expresso - Serviços Postais e Logística, S.A., which now concentrates the CTT Group's investments in the entity. Therefore, this operation did not result in a change in the equity interests held by the **Group**.

On 20 April 2022, CTT Expresso subscribed for a share capital increase in the subsidiary Open Lockers, through a contribution in kind, in the amount of 492,232 Euros. The capital increase was subscribed in proportion to the shareholding held by each of the shareholders, CTT Expresso and Yun Express, and with the issuance of 750,000 new shares with no par value, ordinary, nominative and with an issue value of 1 euro each .

On 27 June 2022, the company HCCM - Outsourcing Investiment, S.A. was subject to a merger by incorporation into the company CTT Soluções Empresariais, S.A., through the global transfer of the assets of the merged company to the acquiring company, and subsequent dissolution of the merged company. The present merger operation is part of the simplification process of the CTT Group's corporate structure. The merger took effect on 1 January 2022.

On 30 June 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 396,000 Euros.

As part of a corporate reorganisation in the **Group**, on 8 July 2022 the Board of Directors of Banco CTT approved the sale of its subsidiary Payshop Portugal, and its terms, to CTT - Correios de Portugal, S.A., with its implementation is still dependent on the contract signature with the buyer and the non-opposition of the regulator, which is expected to occur within 1 year. Therefore, as at 31 December 2022, at the level of the individual and consolidated accounts of Banco CTT, Payshop's assets and liabilities are classified as discontinued assets and liabilities. This reclassification does not, however, have an impact on the consolidated accounts of the CTT **Group**.

On 29 July 2022, Open Lockers was subject to a capital increase in the form of supplementary capital in the amount of 792,000 Euros.

On 31 October 2022, CTT - Correios de Portugal, S.A. established the subsidiary CTT IMO Yield, S.A. The business purpose of this company is the leasing and management of real estate, as well as the purchase and sale of real estate. As disclosed in note 5, this company was incorporated with the purpose of owning and managing CTT's real estate yield portfolio and will essentially comprise (1) properties associated with CTT's retail network and (2) warehouses and logistics centres and delivery offices of CTT's operational network in Portugal.

On 30 November 2022, the company CTT Services, S.A., owned by CTT Soluções Empresariais, was established, whose corporate purpose is to provide backoffice technical services, advice, support and logistical support for technological activities and document processing and production, the provision of services and "Know-how" to companies in the area of new technologies, as well as the provision of services in the area of technical and commercial support, software development, information technology projects and consultancy for carrying out studies and IT advisory .

Joint ventures

As at 31 December 2021 and 31 December 2022, the **Group** held the following interests in joint ventures, registered through the equity method:

Company name	Place of business	Head office	2021			2022		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
NewPost, ACE	Portugal	Av. Fontes Pereira de Melo, 40 Lisboa	49	—	49	49	—	49
PTP & F, ACE	Portugal	Estrada Casal do Canas Amadora	51	—	51	51	—	51
Wolfspring, ACE	Portugal	Urbanização do Passil, nº100-A 2890-852 Alcochete	—	50	50	—	50	50
MKTPlace - Comércio Eletrónico, S.A ("MKTP")	Portugal	Rua Eng.º Ferreira Dias 924 Esc. 5 Porto	50	—	50	—	—	—

As of 31 December 2021, the entity Wolfspring ACE is part of the jointly controlled entities whose interests are held by the Group. The participation in this entity is held by New Spring Services (entity that integrated the consolidation perimeter in the said period) and results from a partnership with Reisswolf – Tratamento confidencial e reciclagem de dados e serviços, S.A. for the provision of services in the area of custody and file management.

The entity Mktplace - Comércio Eletrónico, S.A., a partnership with Sonae - SGPS, S.A., corresponds to an e-commerce platform that provides integrated services for the intermediation of commercial relations between sellers and consumers. Each shareholder, CTT and Sonae, as at 31 December 2021, owned 50% of the share capital of the referred entity.

On 13 January 2022, the investment in Mktplace - Comércio Eletrónico, S.A. was sold to Worten - Equipamentos para o Lar, S.A.. The sale of the investment in Dott, created as an e-commerce benefit with the purpose of promoting the digitization of companies and entry into e-commerce, arise in the context of strengthening the partnership between CTT and Worten in the area of e-commerce. As two logistics companies working to deepen their partnership at the Iberian level, in areas such as instant delivery, several distribution flows for e-commerce and business orders, including fulfilment for sellers on the Worten marketplace, in order to maximize the each businesses.

Associated companies

As at 31 December 2021 and 31 December 2022, the **Group** held the following interests in associated companies accounted for by the equity method:

Company name	Place of business	Head office	2021			2022		
			Percentage of ownership			Percentage of ownership		
			Direct	Indirect	Total	Direct	Indirect	Total
Mafelosa, SL [(a)]	Espanha	Castellon - Espanha	—	25	25	—	25	25
Urpacksur, SL [(a)]	Espanha	Málaga - Espanha	—	30	30	—	30	30

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 was held by Tourline Mensajeria, SLU), which currently has no activity.

Structured entities

Additionally, considering the requirements of IFRS 10, the **Group's** consolidation perimeter includes the following structured entities:

Name	Constitution Year	Place of issue	Consolidation Method
Ulisses Finance No.1 [(*)]	2017	Portugal	Full
Ulisses Finance No.2 [(*)]	2021	Portugal	Full
Ulisses Finance No.3 [(*)]	2022	Portugal	Full
Chaves Funding No.8 [(*)]	2019	Portugal	Full
Next Funding No.1 [(*)]	2021	Portugal	Full

(*) Entities incorporated within the scope of securitization operations, recorded in the consolidated financial statements in accordance with the Group's continued involvement, determined based on the holding of residual interests (equity piece or excess spread) of the respective vehicles and to the extent that the Group holds substantially the risks and rewards associated with the underlying assets and has the ability to affect these same risks and rewards.

In the consolidated financial statements at 31 December 2021, the structured entity Next Funding No.1 was included for the first time. This entity resulted from a partnership between Banco CTT and Sonae Financial Services for the financing of the Universo card and the related management of credit risk exposure. The underlying assets of the Next Funding No.1 operation were consolidated and recognized in Banco CTT's consolidated accounts, considering that Banco CTT is i) responsible for all relevant activities inherent to the management of the underlying assets, ii) has exposure to variable income and iii) has the ability to affect its variable returns through the power to manage the relevant activities.

Also in 2021, the CTT Bank Group issued a new securitization operation (Ulisses Finance No. 2) related to the auto loan portfolio originated by 321 Crédito in the amount of 250 million Euros. Considering IFRS10, this operation became part of the **Group**'s consolidation perimeter.

On 1 June 2022, the **Group** issued a new securitization operation named Ulisses Finance nº 3, through its subsidiary 321 Crédito. This operation aimed to finance the growth of Banco CTT's activity, optimizing its capital and diversifying its sources of liquidity, through the securitization of 200 million euros of car loans. Considering the provisions of IFRS10, this operation became part of the **Group**'s consolidation perimeter.

The main impacts of the consolidation of these structured entities on the **Group'**s accounts are the following:

	31.12.2021	31.12.2022
Cash and cash equivalents	20,092,235	22,640,074
Financial assets at fair value through profit and loss (Derivatives) - (Note 15)	2,261,947	26,219,905
Financial assets at amortized cost - Credit to banking clients - Credit Cards (Note 20)	298,716,076	353,815,583
Financial assets at amortized cost (Credit to banking clients - Other receivables)	(35,386,724)	(40,672,436)
Financial assets at amortized cost (Debt securities)	(259,669,025)	(319,776,400)

Changes in the consolidation perimeter

During the period ended 31 December 2021, the structured entities Next Funding No.1 and Ulisses Finance No.2 were included in the consolidation perimeter.

During the period ended 31 December 2021, the consolidation perimeter changed following the acquisition of NewSpring Services and its holding HCCM - Outsourcing Investment. On 16 June 2021, CTT through its subsidiary CTT Soluções Empresariais, S.A. entered into a purchase agreement for the acquisition of the total share capital of these companies, operating in the Business Process Outsourcing (BPO) and Contact Center market.

The acquisition was carried out on 30 August 2021 (transaction closing date), for an initial fixed price of 7,000,000 Euros, subject to adjustments, based on the accounts prepared at the transaction close, related to the net financial debt and working capital of the acquired companies, with the acquisition price of 10,701,086 Euros. Additionally, earnouts were agreed depending on the company's activity over the 2 years following the closing date, based on the achievement of pre-defined objectives for NewSpring Services, including EBITDA targets.

The **Group**, in 2021, incurred in expenses related to the acquisition of NewSpring Services of 190.716 Euros related to the transaction, namely financial advice and legal costs. These expenses were recorded in the External Supplies and Services item.

Recognition and measurement of identifiable assets acquired and liabilities assumed according with IFRS:

The Goodwill recognition on the acquisition date of HCCM - Outsourcing Investment and NewSpring Services is as follows:

	Amount
Assets acquired (HCCM)	5,887,230
Liabilities acquired (HCCM)	50,992
Net assets acquired (HCCM)	**5,836,238**
Assets acquired (NSS)	9,875,561
Assets acquired (NSS)	6,995,252
Net assets acquired (NSS)	**2,880,309**
Net assets acquired (NSS) - CTT-SE Participation (*)	**139,292**
Fair Value Adjustments:	
Intangible Assets	1,864,330
Deferred Taxes Liabilities	(522,013)
Fair Value of the acquired assets (HCCM e NSS)	**7,317,847**
Contingent components	**4,500,000**
Acquisition Price	10,701,086
Goodwill	**7,883,238**

(*) Acquistion by CTT-SE of 4,84% of the share capital of NSS, with the remaining 95.16% belonging to HCCM.

The contingent components are related to the earnouts described above, and their fair value was determined based on the best estimate at the operation closing date, subject to revaluation at each reporting date. As at 31 December 2022, the contingent components, in the amount of 4,500,000 Euros, have been materialized, and no differences from the initial estimate was found.

The goodwill is mainly attributable to the NewSpring Services' human capital skills and the synergies expected to be obtained from the company's integration into the **Group**'s existing businesses. It should be noted that the calculated Goodwill, was fully allocated to the NewSpring Services Cash Generating Unit, since HCCM – Outsourcing investment had as its sole activity the shareholding management in this entity. In 2022, HCCM - Outsourcing Investment, S.A. was the subject of a merger by incorporation into the company CTT Soluções Empresariais, S.A..

The fair value measurement methods applied by the **Group** are detailed as follows:

- Intangible Assets: The intangible assets are related to the portfolio of customer contracts acquired as part of the NewSpring Services share acquisition transaction. These contracts were measured at fair value on the acquisition date in accordance with the requirements of IFRS 3 and IFRS 13. The fair value was estimated as the discounted value of expected future cash-flows of the acquired contracts, considering the term and their time value.

- Deferred tax liabilities: The estimated value for PPA purposes is related to the amount of deferred taxes resulting from differences between the fair value and the net book value of intangible assets related to customer contracts.

The assets acquired from HCCM – Outsourcing investment and NewSpring Services, as at 30 August 2021, was detailed as follows:

HCCM	Initial recognition
Non current assets	
Tangible fixed assets	54,118
Goodwill	2,171,673
Intangible assets	70
Investments in subsidiaries	2,736,914
Other investments	4,121
Non current assets	**4,966,896**
Current assets	
Income yax receivables	7,498
Other current assets	1,091
Prepayments	3,798
Cash and cash equivalents	907,947
Current assets	**920,334**
Assets acquired (HCCM)	**5,887,230**

NSS	Initial recognition
Non current assets	
Tangible fixed assets	1,337,688
Intangible assets	151,620
Investments in joint ventures	54,045
Other investments	221,726
Non current assets	**1,765,079**
Current assets	
Account receivables	2,487,856
Other current assets	1,488,112
Prepayments	126,647
Cash and cash equivalents	4,007,867
Current assets	**8,110,482**
Assets acquired (NSS)	**9,875,561**

The detail of accounts receivable from NewSpring Services, as at 30 August 2021, was detailed as follows:

	Initial Recognition
Accounts receivables - National	2,487,856
Doubtful debts	51,648
Accumulated Impairment Losses	(51,648)
Total	**2,487,856**

The net book value of accounts receivable on the acquisition date amounts to 2,487,856 Euros, with no differences in relation to their fair value within the scope of IFRS 3.

On 22 December 2021, the entity CTT IMO - Sociedade Imobiliária, SA was established and on 30 December 2021 the company Open Lockers, S.A was established, which results from a partnership agreement between the **Group** and YunExpress, in which the **Group** holds a 66% majority participation in the new company and YunExpress, a 34% participation.

In the period ended 31 December 2022, the entities MedSpring, S.A., CTT IMO Yield, S.A. e CTT Services, S.A. were established and the structured entity Ulisses Finance no.3 was created, having both integrated the consolidation perimeter. The company HCCM - Outsourcing Investment, S.A. was the subject of a merger by incorporation into the company CTT Soluções Empresariais, S.A., through the global transfer of the assets of the acquired company to the acquiring company, and subsequent extinction of the incorporated company, with reference to 1 January 2022.

9. Goodwill

As at 31 December 2021 and 31 December 2022, the **Group** Goodwill was made up as follows:

Group	Year of acquisition	2021	2022
Mailtec Comunicação, S.A.	2004	6,161,326	6,161,326
Payshop Portugal, S.A.	2004	406,101	406,101
321 Crédito - Instituição Financeira de Crédito, S.A.	2019	60,678,648	60,678,648
Transporta, S.A.	2017	2,955,753	2,955,753
New Spring Services S.A.	2021	11,269,486	10,054,911
		81,471,314	**80,256,739**

During the years ended 31 December 2021 and 31 December 2022, the movements in Goodwill were as follows:

Group	2021	2022
Opening balance	70,201,828	81,471,314
Acquisitions	9,097,814	—
Changes in the consolidation perimeter	2,171,673	—
PPA Movements	—	(1,342,317)
Other Movements	—	127,741
Closing balance	**81,471,314**	**80,256,739**

The acquisitions ocurred in the period ended 31 December 2021 concern the acquisition of the company NewSpring Services, and its holding company HCCM – Outsourcing Investment (entity subsequently merged by incorporation into CTT Soluções Empresariais, S.A., with reference to 1 January 2022), having booked a Goodwill in the inintial amount of 9,097,814 Euros (note 8). Changes in the consolidation perimeter, which occurred in the previous period, refer to the Goodwill recorded in the company HCCM-Outsourcing Investment in previous periods relating to NewSpring Services.

As at 31 December 2022, the caption “PPA Transactions” refers to the amounts determined within the scope of the PPA carried out in the acquisition of NewSpring Services shares (note 8), namely the measurement at fair value on the date of acquisition of the customers portofolio contracts of the entity, in the amount of 1,864,330 Euros. This amount was transferred to the caption Intangible Assets (Note 6), and which deducts the effect of deferred tax liability, in the amount of 522,013 Euros, transferred to the respective caption (Note 52).

As at 31 December 2022, the caption “Other movements” refers to the materialization of a contingent amount related to the purchase of NewSpring Services shares, paid to sellers, as stipulated in the share purchase and sale agreement.

<u>Goodwill impairment assessment</u>

The recoverable amount of Goodwill is assessed annually or whenever there is indication of a possible loss of value. The recoverable amount is determined based on the value in use of the assets, computed using calculation methodologies supported by discounted cash flow techniques, considering the market conditions, the time value and business risks.

During the current year, in order to determine the recoverable amount of its investments, the **Group** performed impairment tests as at 31 December 2021 and 31 December 2022 based on the following assumptions:

Company name	Activity	2021				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	8.00%	—%	1.4%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
CTT Expresso, Sucursal em Espanha	Cargo and Logistics	Equity Value/DCF	5 years	8.20%	—%	1.4%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	7.60 %	—%	1.4%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	9 years	— %	10.00%	1.5%
New Spring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	8.00 %	—%	1.4%

Company name	Activity	2022				
		Base for determining the recoverable amount	Explicit period for cash flows	Discount rate (WACC)	Discount rate (Cost of Equity)	Perpetutiy rate growth
Mailtec Comunicação, S.A.	Documental services	Equity Value/DCF	5 years	9.50%	—%	2.0%
Transporta - Transportes Porta a Porta, S.A.	Cargo and Logistics	Equity Value/DCF	5 years	9.20%	—%	2.0%
Payshop (Portugal), S.A.	Payment network management	Equity Value/DCF	5 years	8.50%	—%	2.0%
321 Crédito - Instituição Financeira de Crédito, S.A.	Consumer Credit	Equity Value/DCF	9 years	—%	10.00%	1.5%
New Spring Services, S.A.	Back office technical services	Equity Value/DCF	5 years	9.50 %	—%	2.0%

The generalized increase in the discount rate (WACC) in the period ended 31 December 2022 resulted mainly of the increase in the indicative rates for "Risk Free Rate" and "Market Risk Premium", due to the adverse economic situation observed during the year 2022.

The cash flow projections were based on historical performance and on the 5-year business plans, approved by the Board of Directors, with the exception of 321 Crédito, given the recent acquisition of this entity in 2019, in accordance with the business plan cash flow stability will only be achieved over a longer period of time.

In the case of 321 Crédito, the cash flows were estimated based on projections of results and the evolution of activity based on the entity's business plan. This business plan covers a period until 2032, and considers, over this period, a compound annual growth rate of 4.4% of the assets. The assessment was based on the Dividend Discount Model methodology common in the banking sector. The logic of the methodology is that the investor observes two types of flows when evaluating the asset, binomial dividends/capital reinforcement and value of future dividends in perpetuity.

Based on this analysis and the perspectives of future evolution, it was concluded that there are no signs of impairment related to the goodwill allocated to this cash-generating unit.

The assets carrying amount assessed in the impairment tests includes, in addition to goodwill, the amounts of tangible and intangible assets allocated to the related cash-generating units with reference to 31 December 2022.

As a consequence of this impairment analysis, the **Group** concluded that as at 31 December 2022 there were no indications of impairment losses to be recognized.

As at 31 December 2021 and 31 December 2022, the impairment losses registered in the **Group** are as follows:

	2021			
	Year of acquisition	**Initial amount of Goodwill**	**Accumulated impairment losses**	**Carrying amount**
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

	2022			
	Year of acquisition	**Initial amount of Goodwill**	**Accumulated impairment losses**	**Carrying amount**
Tourline Express Mensajería, SLU	2005	20,671,985	20,671,985	—
Mailtec Comunicação, S.A.	2004	7,294,638	1,133,312	6,161,326
		27,966,623	**21,805,297**	**6,161,326**

Sensitivity analyzes were performed on the results of the impairment tests, namely the following key assumptions: (i) reduction of 50 basis points in the growth rate in perpetuity and (ii) increase of 50 points in the different discount rates used.

In the case of 321 Crédito, sensitivity analyzes were carried out on the results of the impairment tests, namely the following key variables: (i) reduction/increase of 0.5% in the CET1 ratio target (ii) increase of 50 points in the different interest rates discount used.

The results of the sensitivity analyze carried out do not determine the existence of signs of impairment in Goodwill.

10. Investments in subsidiary companies

During the years ended 31 December 2021 and 31 December 2022, the movements occurred in the **Company** in Investments in subsidiary companies were as follows:

	2021			2022		
	Investments in subsidiary companies	**Provisions for investments in subsidiary companies**	**Total**	**Investments in subsidiary companies**	**Provisions for investments in subsidiary companies**	**Total**
Opening balance	235,531,801	—	235,531,801	271,702,900	—	271,702,900
Equity method	24,588,398	—	24,588,398	18,787,944	—	18,787,944
Equity Method Adjustements (intra-group)	1,976	—	1,976	4,050	—	4,050
Distribution of dividends	(750,000)	—	(750,000)	(480,017)	—	(480,017)
Share capital increase	12,000,000	—	12,000,000	—	—	—
Supplementary capital contributions	—	—	—	7,150,000	—	7,150,000
New Shares	275,500	—	275,500	50,000	—	50,000
Disposals	—	—	—	(25,500)		(25,500)
Other changes	55,224	—	55,224	(1,939,369)	—	(1,939,369)
Closing balance	**271,702,900**	**—**	**271,702,900**	**295,250,006**	**—**	**295,250,006**

On 31 December 2021, the caption "Share Capital increase" includes the capital increase of Banco CTT, S.A. which occurred on 25 January 2021, in the amount of 10,000,000 Euros and the participation units subscription of Fundo TechTree in the amount of 2,000,000 Euros at 29 December 2021. In this view, the **Company**'s interest in Fundo TechTree changed from 25% to 60%.

On 1 December 2021, a decision to distribute dividends in the amount of 750,000 Euros was taken by CTT Contacto.

As at 31 December 2021, the caption "New shares" includes the subscription of the share capital of the subsidiary CTT IMO, established in the current year, in the amount of 250,000 Euros and the subscription of the share capital of the subsidiary Open Lockers in the amount of 25,500 Euros.

On 30 April 2022, a decision was taken to distribute dividends by CTT Contacto, in the amount of 400,000 Euros. On 30 September 2022, a decision was taken to distribute dividends by CORRE, in the amount of 9,866,155 MZN (80,017 Euros).

The amount recorded under the caption "supplementary capital contribution", at 31 December 2022 corresponds to a supplementary capital contribution provided to CTT IMO in the amount of 7,150,000 Euros.

As at 31 December 2022, the caption "New shares" includes the share capital subscription of the subsidiary CTT IMO Yield, S.A., established in the current year, in the amount of 50,000 Euros. The amount recognized in "disposals" corresponds to the derecognition of the investment in the entity "Open Lockers", as a result of the sale of the investment to CTT Expresso, as explained in note 8.

The amount recorded under the caption "Other variations", at 31 December 2022, essentially corresponds to variations in the equity captions of subsidiaries, in particular Banco CTT.

As at 31 December 2021 and 31 December 2022, the detail by **Company** of Investments in subsidiaries of the Company was as follows:

	2021							
Company	% held	Assets	Liabilities	Equity	Net profit	Goodwill (note 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	184,126,919	169,073,533	15,053,386	8,520,403	2,955,753	15,054,183	8,520,403
CTT Contacto, S.A.	100%	7,290,992	1,465,070	5,825,922	800,900	—	5,825,917	800,900
CORRE - Correio Expresso Moçambique, S.A.	50%	2,462,169	1,403,935	1,058,234	374,401	—	529,106	187,190
Banco CTT, S.A.	100%	2,393,023,938	2,155,866,804	237,157,134	15,424,262	—	237,162,515	15,424,262
FCR TECHTREE	60%	4,906,324	15,191	4,891,134	(136,766)	—	2,927,240	(72,760)
CTT Soluções Empresariais, S.A.	100%	24,250,673	23,392,984	857,689	225,266	—	857,689	(225,266)
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,371,610	7,156,181	215,428	(34,572)	—	203,670	(46,330)
Open Lockers, S.A.	26%	100,000	—	100,000	—	—	25,500	—
Mailtec Comunicação S.A.	— %	—	—	—	—	6,161,326	—	—
						9,117,079	**262,585,820**	**24,588,398**

Company	2022							
	% held	Assets	Liabilities	Equity	Net profit	Goodwill (note 9)	Investments	Proportion of net profit
CTT Expresso,S.A.	100%	197,660,443	181,248,497	16,411,936	1,346,529	2,955,753	16,414,189	1,348,360
CTT Contacto, S.A.	100%	7,089,258	1,236,216	5,853,042	430,525	—	5,853,245	431,028
CORRE - Correio Expresso Moçambique, S.A.	50%	2,914,783	2,000,803	913,980	90,978	—	534,839	45,489
Banco CTT, S.A.	100%	2,635,039,112	2,382,779,513	252,259,600	14,655,944	—	253,166,742	15,557,704
FCR TECHTREE	60%	4,783,225	12,670	4,770,555	(120,654)	—	2,862,333	(72,392)
CTT Soluções Empresariais, S.A.	100%	20,173,737	17,803,669	2,370,068	1,512,379	—	2,370,068	1,512,379
CTT IMO - Sociedade Imobiliária, S.A.	100%	7,585,156	97,501	7,487,655	122,227	—	4,885,012	(27,074)
CTT Imo Yield, S.A.	100%	50,000	3,500	46,500	(3,500)	—	46,500	(3,500)
Mailtec Comunicação S.A.	— %	—	—	—	—	6,161,326	—	—
						9,117,079	**286,132,927**	**18,791,995**

The investments in subsidiaries amount is assessed whenever there are indications of an eventual amount loss. The recoverable amount is determined using methodologies based on discounted cash flow techniques, considering market conditions, time value and business risks.

For the years ended 31 December 2021 and 31 December 2022, the net income in subsidiary companies arising from the application of the equity method, and stated under Gains/losses in subsidiaries, associated companies and joint ventures in the Income statement were recognized against the following items on the balance sheet:

Company	2021	2022
Investment in subsidiaries		
CTT Expresso, S.A.	8,520,403	1,348,360
CTT Contacto, S.A.	800,900	431,028
CORRE - Correio Expresso Moçambique, S.A.	187,190	45,489
Banco CTT, S.A.	15,424,262	15,557,704
FCR TECHTREE	(72,760)	(72,392)
CTT Solucões Empresariais, S.A.	(225,266)	1,512,379
CTT IMO - Sociedade Imobiliária, S.A.	(46,330)	(27,074)
CTT IMO Yield, S.A.	—	(3,500)
	24,588,398	**18,791,995**

CTT Expresso, S.A. includes CTT Expresso Portugal and its branch in Spain (previously designated as Tourline). The Branch in Spain presented, in 2022, a net loss for the year of 4,131,376 Euros (2021: (3,057,664) Euros).

The companies 321 Crédito – Instituição Financeira de Crédito, S.A. and Payshop Portugal, S.A. are owned by CTT Bank, and the bank's financial investment amount includes the gains and losses of these companies.

The entities NewSpring Services, MedSpring, S.A. and CTT Services, S.A. are owned by CTT Soluções Empresariais. Open Lockers is 66% owned by CTT Expresso. Thus, the amount of the financial investment of CTT Soluções Empresariais and CTT Expresso includes the gains and losses of these companies.

11. Investments in associated companies

For the years ended 31 December 2021 and 31 December 2022, the **Group** and the **Company** investments in associated companies had the following movements:

	Group		Company	
	2021	2022	2021	2022
Gross carrying value				
Opening balance	481	481	—	—
Closing balance	**481**	**481**	**—**	**—**

As at 31 December 2021 and 31 December 2022, the detail by company of the **Group** and the **Company** investments in associated companies were as follows:

	Group		Company	
	2021	2022	2021	2022
Urpacksur, S.L.	481	481	—	
	481	**481**	**—**	**—**

	2021						
Group	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a)] [(b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a)] [(b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).

[(b)] Companies without activity

	2022						
Group	% held	Assets	Liabilities	Equity	Net profit	Investments	Proportion of net profit
Mafelosa, SL [(a)] [(b)]	25%	n.d.	n.d.	n.d.	n.d.	—	n.d.
Urpacksur [(a)] [(b)]	30%	n.d.	n.d.	n.d.	n.d.	481	n.d.
						481	**—**

[(a)] Company held by CTT Expresso - Serviços Postais e Logística, S.A., branch in Spain (until 2018 held by Tourline Mensajeria, SLU).

[(b)] Companies without activity

12. Investments in joint ventures

As at 31 December 2021 and 31 December 2022, the detail of the **Group** and the **Company** investments in joint ventures were as follows:

	2021								
Group and Company	**% held**	**Assets**	**Liabilities**	**Equity**	**Net profit**	**Investment**	**Impairment**	**Book Value**	**Proportion of net profit**
MKTPlace - Comércio Electrónico, S.A.	50%	8,157,626	2,403,242	5,754,384	(4,096,254)	2,193,233	(2,193,233)	—	(2,521,396)
Wolfspring, ACE	50%	233,880	185,813	48,067	41,668	17,992	—	17,992	20,834
PTP & F, ACE	51%	—	—	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						2,211,225	**(2,193,233)**	**17,992**	**(2,500,562)**

	2022								
Group and Company	**% held**	**Assets**	**Liabilities**	**Equity**	**Net profit**	**Investment**	**Impairment**	**Provisions**	**Proportion of net profit**
Wolfspring, ACE	50%	256,238	582,099	(325,861)	(373,929)	—	—	(168,972)	(186,964)
PTP & F, ACE	51 %	399,223	399,223	—	—	—	—	—	—
NewPost, ACE	49%	—	—	—	—	—	—	—	—
						—	**—**	**(168,972)**	**(186,964)**

As at 31 December 2021, an impairment was recognized for the investment in the entity MKT Place in the amount of 2,193,233 Euros, which represented 100% of the financial investment. Given the company's history of losses and the non-achievement of the previously approved business plan, the **Group** understood that the amount would not be recoverable. On 13 January 2022, the investment was sold to Worten - Equipamentos para o Lar, S.A., as detailed in note 8.

As at 31 December 2022, the equity of the joint venture entity Wolfspring, ACE was negative in the amount of 325,681 Euros. Accordingly, a provision was constituted in the proportion held by the Group (168,972 Euros).

13. Other investments

The amount of Other investments as at 31 December 2021 and 31 December 2022, in the **Group** and the **Company**, were as follows:

Entity	**Head office**	**Group**	
		2021	**2022**
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
Lisgarante - SGM, S.A.	Lisbon - Portugal	5,000	5,000
Garval - SGM, S.A.	Lisbon - Portugal	290	—
KIT-AR LIMITED	London - UK	300,000	300,000
Sensefinity, Lda	Lisbon - Portugal	—	150,000
Habitat Analytics, Inc.	Delaware - USA	—	500,000
CEPT	Copenhagen - Denmark	237	237
		311,684	**961,394**

Entity	Head office	Company	
		2021	2022
IPC-International Post Corporation	Brussels - Belgium	6,157	6,157
CEPT	Copenhagen - Denmark	237	237
		6,394	**6,394**

On 31 December 2022, in the **Group**, it shoud be noted the investments made by the TechTree investment fund, launched by CTT in previous years to support innovation activities in small and medium-sized companies and start-ups, namely in the entity Habit Analytics, Inc., a company that acts as a specialist broker in embedded insurance.

During the year, no impairment loss was recognized in these investments.

There are no market prices available for the mentioned investments and it is not possible to determine fair value in the period using comparable transactions. These instruments were not measured through discounted cash flows since these could not be reliably determined.

14. Debt securities

As at 31 December 2021 and 31 December 2022, the caption Debt securities, in the **Group**, showed the following composition:

	31.12.2021	31.12.2022
Non-current		
Financial assets at fair value through other comprehensive income [(1)]		
Government bonds	—	—
Bonds issued by other entities	4,906,841	—
	4,906,841	**—**
Financial assets at amortized cost		
Government bonds	295,098,611	409,510,672
Bonds issued by other entities	—	—
Impairment	(111,953)	(121,927)
	294,986,658	**409,388,745**
	299,893,499	**409,388,745**
Current		
Financial assets at fair value through other comprehensive income [(1)]		
Government bonds	849,374	—
Bonds issued by other entities	338,695	—
	1,188,069	**—**
Financial assets at amortized cost		
Government bonds	38,795,904	128,401,573
Bonds issued by other entities	386,509	—
Impairment	(8,552)	(9,674)
	39,173,861	**128,391,899**
	40,361,930	**128,391,899**
	340,255,429	**537,780,644**

[(1)] As at 31 December 2021 includes the amount 3,194 Euros related to Accumulated impairment losses.

As at 31 December 2022, the increase in debt securities essentially refers to investment in Portuguese, Spanish, Italian and French debt securities.

The financial assets in this portfolio are managed based on a business model whose purpose is to receive contractual cash flows.

The analysis of the Financial assets at fair Value through other comprehensive income and the Financial assets at amortized cost, by remaining maturity, as at 31 December 2021 and 31 December 2022 is detailed as follows:

	31.12.2021						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at fair value through other comprehensive income [(1)]							
Government bonds							
National	4,384	844,990	849,374	—	—	—	849,374
Bonds issued by other entities							
National	338,695	—	338,695	4,906,841	—	4,906,841	5,245,536
	343,079	**844,990**	**1,188,069**	**4,906,841**	**—**	**4,906,841**	**6,094,910**

[(1)] As at 31 December 2021 includes the amount of 3,194 Euros regarding Accumulated impairment losses.

As at 31 December 2022, the **Group** does not hold financial assets at fair value through other comprehensive income.

	31.12.2021						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortized cost							
Government bonds							
National	2,521,147	22,264,251	24,785,398	38,565,156	122,194,456	160,759,612	185,545,010
Foreign	1,013,181	12,997,325	14,010,506	11,098,271	123,240,728	134,338,999	148,349,505
Bonds issued by other entities							
National	386,509	—	386,509	—	—	—	386,509
	3,920,837	**35,261,576**	**39,182,413**	**49,663,427**	**245,435,184**	**295,098,611**	**334,281,023**

	31.12.2022						
	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Financial assets at amortized cost							
Government bonds							
National	3,011,149	17,990,243	21,001,392	38,028,368	162,664,338	200,692,705	221,694,097
Foreign	1,461,711	105,938,471	107,400,181	10,027,009	198,790,957	208,817,967	316,218,148
	4,472,860	**123,928,714**	**128,401,573**	**48,055,377**	**361,455,295**	**409,510,672**	**537,912,245**

The impairment losses, for the period ended 31 December 2021 and 31 December 2022, are detailed as follows:

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	2,572
Financial assets at amortized cost	175,486	32,617	(89,741)	—	(6,410)	111,952
	181,404	32,617	(94,760)	—	(4,737)	114,524
Current assets						
Financial assets at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	623
Financial assets at amortized cost	6,505	2,492	(6,855)	—	6,410	8,552
	10,016	**2,492**	**(8,070)**	**—**	**4,737**	**9,175**
Financial assets at fair value through other comprehensive income	***9,429***	***—***	***(6,235)***	***—***	***—***	***3,194***
Financial assets at amortized cost	***181,991***	***35,109***	***(96,595)***	***—***	***—***	***120,505***
	191,420	**35,109**	**(102,830)**	**—**	**—**	**123,699**

	2022					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Financial assets at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—
Financial assets at amortized cost	111,953	39,065	(28,784)	—	(307)	121,927
	114,525	39,065	(31,356)	—	(307)	121,927
Current assets						
Financial assets at fair value through other comprehensive income	623	—	(623)	—	—	—
Financial assets at amortized cost	8,551	3,100	(2,284)	—	307	9,674
	9,174	**3,100**	**(2,907)**	**—**	**307**	**9,674**
Financial assets at fair value through other comprehensive income	***3,194***	***—***	***(3,194)***	***—***	***—***	***—***
Financial assets at amortized cost	***120,504***	***42,165***	***(31,068)***	***—***	***—***	***131,602***
	123,698	**42,165**	**(34,262)**	**—**	**—**	**131,602**

Regarding the movements in impairment losses of Financial assets at fair value through other comprehensive income by stages, in the periods ended on 31 December 2021 and 31 December 2022, they are detailed as follows:

	2021	2022
	Stage 1	Stage 1
Opening balance	**9,429**	**3,194**
Change in period:		
Increases due to origination and acquisition	—	—
Changes due to change in credit risk	(4,090)	—
Decrease due to derecognition repayments and disposals	(2,145)	(3,194)
Impairment - Financial assets at fair value through other comprehensive income	**3,194**	**—**

The reconciliation of accounting movements related to impairment losses is presented below:

	2021	2022
	Stage 1	Stage 1
Opening balance	**9,429**	**3,194**
Change in period:		
ECL income statement change for the period	(6,235)	(3,194)
Impairment - Financial assets at fair value through other comprehensive income	**3,194**	**—**

For the impairment losses of Financial assets at amortized cost, the movements by stages, in the periods ended on 31 December 2021 and 31 December 2022, they are detailed as follows:

	2021	2022
	Stage 1	Stage 1
Opening balance	**181,991**	**120,505**
Change in period:		
Increases due to origination and acquisition	35,109	26,972
Changes due to change in credit risk	(78,141)	(7,324)
Decrease due to derecognition repayments and disposals	(18,455)	(8,552)
Impairment - Financial assets at amortized cost	**120,505**	**131,602**

The reconciliation of accounting movements related to impairment losses is presented below:

	2021	2022
	Stage 1	Stage 1
Opening balance	**181,991**	**120,505**
Change in period:		
ECL income statement change for the period	(61,487)	11,097
Impairment - Financial assets at amortized cost	**120,505**	**131,602**

According to the accounting policy described in Note 2.11, the **Group** regularly assesses whether there is objective evidence of impairment in its financial asset portfolios at fair value through other comprehensive income and other financial assets at amortized cost, following the criteria described in Note 2.30.

15. Financial Assets and Liabilities at fair value through profit and loss

As at 31 December 2021 and 31 December 2022, in the **Group**, the captions “Financial Assets at fair value through profit and loss” and “Financial Liabilities at fair value through profit and loss” showed the following composition:

	31.12.2021	31.12.2022
Non current assets		
Derivatives	2,261,947	26,219,905
	2,261,947	**26,219,905**
Current Assets		
Shares - Real Estate Investment Fund	24,999,138	26,478,525
	24,999,138	**26,478,525**
	27,261,085	**52,698,430**
Current Liabilities		
Derivatives	—	26,344,517
	—	**26,344,517**
	—	**26,344,517**

The Derivatives caption represents the fair value of derivative financial instruments contracted in the context of the **Group**'s interest rate risk management and associated with ongoing securitization operations.. The change in the caption results from the MTM (Mark to Market) of interest rate derivatives in the form of Cap Agreement (associated with the Ulisses 1 and Ulisses 2 securitization operations) and Interest Rate SWAP (associated with the Ulisses 3 securitization operation and a derivative existing at Banco CTT).

The caption Real Estate Investment Funds in the amount of 26,478 thousand euros (31 December 2021: 24,999 Euros) refers to an investment in an open real estate investment fund domiciled in Portugal, representing 10.4% of the total investment units issued on 31 December 2022 (31 December 2021: 10.7%)

Associated with derivative contracts, Banco CTT has, as at 31 December 2022, a cash and cash equivalents account with another Financial Institution, with an amount of 26,040 thousand euros captive (margin call), being shown under the caption of "other current assets" (note 24).

The detail of the derivatives caption is presented as follows:

	31.12.2021			31.12.2022		
	Nocional	Fair Values		Nocional	Fair Values	
		Asset	Liability		Asset	Liability
Over-the-Count						
Interest rate contracts						
Interest Rate Swaps						
Purchase	—	—	—	200,000,000	12,658,056	—
Sale	—	—	—	200,000,000	—	12,810,255
Interest Rate Options						
Purchase	294,669,393	2,261,947	—	263,790,387	13,561,849	—
Sale	—	—	—	237,002,644	—	13,534,262
		2,261,947	**—**		**26,219,905**	**26,344,517**

The impact on results for the period of financial assets and liabilities at fair value through profit or loss is presented as follows:

	31.12.2021	31.12.2022
Profits from transactions with assets and liabilities at fair value through profit or loss		
Derivatives	1,101,840	22,744,056
Shares	—	1,479,387
	1,101,840	**24,223,443**
Losses from transactions with assets and liabilities at fair value through profit or loss		
Derivatives	—	(13,113,418)
Shares	(835)	—
	(835)	**(13,113,418)**
Results of Assets and Liabilities at Fair Value Through Profit or Losses	**1,101,005**	**11,110,025**

The impact on results for the period of financial assets and liabilities at fair value through profit or loss is presented in note 48.

16. Other banking financial assets and liabilities

As at 31 December 2021 and 31 December 2022, the **Group** headings Other banking financial assets and Other banking financial liabilities showed the following composition:

	31.12.2021	31.12.2022
Non-current assets		
Loans to credit institutions	5,239,419	961,720
Impairment	(1,709)	(274)
	5,237,710	**961,446**
Current assets		
Investments in central banks	—	450,250,022
Investments in credit institutions	2,350,000	4,700,523
Loans to credit institutions	6,185,069	4,277,698
Impairment	(2,197)	(1,394)
Other	2,988,970	3,805,177
Impairment	(1,800,306)	(1,805,945)
	9,721,536	**461,226,081**
	14,959,246	**462,187,527**
Current liabilities		
Other	26,987,725	46,210,667
	26,987,725	**46,210,667**
	26,987,725	**46,210,667**

Investments in credit institutions and Loans to credit institutions

Regarding the above-mentioned captions, the scheduling by maturity is as follows:

	31.12.2021	31.12.2022
Up to 3 months	2,337,172	455,572,501
From 3 to 12 months	6,197,897	3,655,742
From 1 to 3 years	5,239,419	961,721
	13,774,489	**460,189,963**

The heading "Investments at credit institutions" showed an annual average return of 1.314% in 2022 (2021: 1.191%).

The amount of 450,250,022 Euros recorded in applications with central banks corresponds to overnight deposits with the Bank of Portugal remunerated at a rate of 2.00%.

Impairment

The impairment losses, for the period ended 31 December 2021 and 31 December 2022, are detailed as follows:

	2021					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	3,712	555	(10,964)	—	8,406	1,709
	3,712	**555**	**(10,964)**	**—**	**8,406**	**1,709**
Current assets						
Investments and loans in credit institutions	23,980	713	(14,090)	—	(8,406)	2,197
Other	3,238,971	30,268	(22,533)	(1,446,399)	—	1,800,307
	3,262,951	**30,981**	**(36,623)**	**(1,446,399)**	**(8,406)**	**1,802,504**
	3,266,663	**31,536**	**(47,587)**	**(1,446,399)**	**—**	**1,804,213**

	2022					
	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Investments and loans in credit institutions	1,709	140	(508)	—	(1,067)	274
	1,709	**140**	**(508)**	**—**	**(1,067)**	**274**
Current assets						
Investments and loans in credit institutions	2,197	712	(2,581)	—	1,067	1,394
Other	1,800,306	52,283	(4,548)	(42,097)	—	1,805,945
	1,802,504	**52,995**	**(7,129)**	**(42,097)**	**1,067**	**1,807,339**
	1,804,213	**53,135**	**(7,637)**	**(42,097)**	**—**	**1,807,613**

Regarding the movements in impairment losses on investments and loans to credit institutions by stages, in the periods ended on 31 December 2021 and 31 December 2022, they are detailed as follows:

	2021	2022
	Stage 1	Stage 1
Opening balance	**27,692**	**3,906**
Change in period:		
Increases due to origination and acquisition	1,261	852
Changes due to change in credit risk	(1,067)	(892)
Decrease due to derecognition repayments and disposals	(23,980)	(2,197)
Impairment	**3,906**	**1,668**

The reconciliation of accounting movements related to impairment losses is presented below:

	2021	2022
	Stage 1	Stage 1
Opening balance	**27,692**	**3,906**
Change in period:		
ECL income statement change for the period	(23,786)	(2,237)
Impairment	**3,906**	**1,668**

The caption other current liabilities primarily record the banking operations' balances pending of financial settlement.

17. Financial risk management

The **Group** and the **Company** activities imply exposure to financial risks. Financial risk is defined as the probability of obtaining results that are different from those expected, whether positive or negative, thus changing the net worth of the **Group** in a material and unexpected way. Risk management focuses on the unpredictability of financial markets and seeks to mitigate the adverse effects arising from this unpredictability on the **Group** and the **Company'**s financial performance. Financial risks include credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, operational risk and capital risk.

Under the non-banking activity, financial risk management integrates the Risk Management System of the **Group** and the **Company** reporting directly to the Executive Committee. The Accounting and Tax department ensures the centralized management of financing operations, investment of surplus liquidity, exchange transactions as well as the counterparty risk management of the **Group** and the monitoring of the foreign currency exchange rate risk, according to the policies approved by the Executive Committee. Additionally, the Internal Audit and Quality department, together with the Accounting and Taxation department are responsible for the identification, assessment, proposal and implementation of mitigating measures of financial risks that the **Group** and the **Company** are exposed to.

Under the banking activity, Banco CTT has an independent risk management system, based on a set of concepts, principles, rules and on an organisational model applicable and adjusted to the specificities and to the regulatory framework of its activity.

Banco CTT's risk management and internal control policy aims to maintain an adequate relationship between its equity and the activity developed, as well as the corresponding risk profile assessment/ return per business line. It also aims to support the decision-making process, being able to enhance, both in the short and long term, the ability to manage the risks to which Banco CTT is exposed and allow clear communication of the ways in which the risks arising from the business must be managed in order to create the basis for a solid operating environment. In this context, monitoring and control of the main types of risks to which the Bank's activity is subject becomes relevant.

Credit risk

Credit risk essentially refers to the risk that a third party fails on its contractual obligations, resulting in financial losses to the **Group** and the **Company**. Thus, credit risk basically resides in the accounts receivable from customers and other debtors, related to its operating and treasury activities.

The credit risk management is based on a set of standards and guidelines, part of the CTT's **Group** Credit Regulation ("Regulamento de Crédito Grupo CTT") and comprises the processes of credit granting, monitoring and debt recovery.

Considering the guiding principles of the **Group** and the **Company** Risk Management, a methodology of credit risk assessment is defined which allows, a priori, and based on the information available at the time, to evaluate the Customer's capacity to comply with all its obligations on time and within the conditions established. Based on this evaluation, a credit limit is defined for the customer, whose progress is regularly monitored.

The credit risk in the accounts receivable is monitored on a regular basis by each business of the **Group** companies and monthly monitored by the Credit Committee with the purpose of limiting the credit granted to Customers, considering the respective profile and the ageing of receivable of each customer, ensuring the follow-up of the evolution of credit that has been granted and analyzing the recoverability of the receivables.

Under the non-banking activity, the deterioration of economic conditions or adversities which affect economies may lead to difficulty or incapacity of customers to pay their liabilities, with consequent negative effects on the net income of the **Group** companies. For this purpose, an effort has been made to reduce the average receivable term and amount of credit granted to clients.

Banking activity

Regarding the banking activity, credit risk reflects the degree of uncertainty of the expected returns, due to the inability either of the borrower, or of the counterpart of a contract, to comply with the respective obligations.

Since its main activity is the commercial banking business, with special emphasis on the retail segment, in a first phase, Banco CTT offers simple credit products – mortgage loans and bank overdraft facilities associated with a current account with domiciled salary/ pension and, through the acquisition of 321 Crédito, the offer of specialized credit at the point of sale.

At Banco CTT, credit risk management includes the identification, measurement, assessment and monitoring of the different credit exposures, ensuring risk management throughout the successive phases of the life of the credit process.

The control and mitigation of credit risk are carried out through the early detection of signs of deterioration in the portfolio, namely through early warning systems and the pursuit of appropriate actions to prevent the risk of default, to regularize the effective default and to create conditions that maximize recovery results.

The **Group** considers that there is a concentration of risk when several counterparts are in a common geographic region, develop activities or have economic features that are similar which affect their capacity to comply with contractual obligations in the event of significant changes in macroeconomic conditions or other relevant changes for the activities carried out by the counterparts. Banco CTT has defined and implemented limits of concentration to mitigate this risk.

The analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate.

The exposure subject to credit risk by country and risk class are detailed in this section, portraying the increased geographic diversification of the **Group'**s investments.

The activities developed by the counterparts show some level of concentration in investment in public debt products, namely in eurozone countries. However, this concentration is in accordance with the **Group'**s policy and is part of the liquidity risk management performed by the **Group**.

The quantification / measurement of credit risk is carried out on a monthly basis, through the assessment of the necessary impairment to cover credit to customers, resulting from the application of a collective and individual impairment model.

The monitoring of the **Group** credit risk profile, in particular with regard to the evolution of credit exposures and the monitoring of losses, is carried out on a regular basis by the Capital and Risk Committee, by the Audit Committee and the Board of Directors. Compliance with approved credit requirements and limits are also subject to review on a regular basis.

As at 31 December 2022, the exposures (net of impairment and including off-balance exposures) to this type of loan of credit stood at 658 628 thousand Euros (611,167 thousand Euros as at 31 December 2021).

The retail segment credit, more specifically in auto loans at point of sale, is of 763 725 thousand Euros of exposures (net of impairment and including off-balance exposures) compare with 653,782 thousand Euros of 2021.

The bank is currently exposed to credit risk in other areas of its business activity. These necessarily include direct exposure to credit risk associated to investments and deposits at other credit institutions (counterpart risk), to public debt securities issues by eurozone countries (Portugal, Italy, France and Spain), debt instruments of other issuers (credit institutions and companies), securitization operations and other portfolios of 321 Crédito that are essentially at a run-off stage.

In order to mitigate credit risk, the mortgage lending operations have associated collateral, namely mortgages.

Except in situations of default, the Bank, under its activity, does not have permission to sell or pledge this collateral. The fair value of this collateral is determined as at the date of the granting of the loan, with its value being checked periodically.

Auto loans' operations are made with reservation of ownership, and the value of the vehicle is assessed at the time of granting the credit.

The acceptance of collateral to secure credit operations requires the need to define and implement techniques to mitigate the risks to which this collateral is exposed. Thus, and as an approach to this matter, the **Group** has stipulated a series of procedures applicable to collateral (namely real estate properties), that hedge, among others, the volatility of the value of the collateral.

The gross value of the loans and respective fair value of the collateral, in which the collateral is limited to the value of the associated loan, are presented below:

	2021		2022	
	Loans and advances to customers	Fair value of the collateral	Loans and advances to customers	Fair value of the collateral
Mortgage loans	595,419,629	1,021,370,923	659,541,150	1,128,545,679
Auto loans	670,594,052	713,327,844	792,870,585	825,483,271
Credit Card	298,716,076	—	373,812,649	—
Other	8,269,127	23,764,487	6,076,794	48,212,742
	1,572,998,884	**1,758,463,254**	**1,832,301,179**	**2,002,241,692**

Impairment

The impairment losses for accounts receivable are calculated considering essentially: (i) the ageing of the accounts receivable; (ii) the risk profile of each client; and (iii) the financial situation of the client. The amounts of accounts receivable were adjusted for bank guarantees and advance deposits for the purpose of calculating expected losses.

In the case of customers in the Mail, Express and Parcels and Financial Services segments, the existence of a reduced probability that the customer will pay in full its credit obligations is essentially determined based on the following criteria:

- Overdue credits with high seniority;
- Clients in bankruptcy, insolvency or liquidation; and
- Credits in litigation.

Regarding banking clients, those who meet at least one of the following criteria are considered to be default:

- Existence of payments of capital or interest overdue for more than 90 days;
- Debtors in bankruptcy, insolvency or liquidation;
- Credits in litigation;
- Cross-default credits;
- Restructured credits due to financial difficulties;
- Default quarantined credits; and
- Credits for which there is a suspected fraud or confirmed fraud.

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative but also qualitative criteria, to detect significant increases in the Probability of Default (PD), complemented by another type of information in which it stands out the behavior of customers to entities of the financial system. However, regardless of the observation of a significant increase in credit risk in an exposure, it is classified in Stage 2 when one of the following conditions is met:

- Credit with late payment over 30 days (backstop);
- Credit with qualitative triggers subject to risk, namely those contained in Banco de Portugal Circular Letter No. 02/2014 / DSP.

The movement of impairment losses of accounts receivable is disclosed in Notes 25 and 46.

The impairment losses movements by financial instrument category, stage and movement type, are disclosed in each note, such as, Note 14 – Debt securities, Note 16 – Other banking financial assets and liabilities and Note 20 – Credit to banking clients.

As at 31 December 2022, the **Group** and the **Company** believe that impairment losses in accounts receivable are adequately estimated and recorded in the financial statements.

In addition, within the scope of treasury activities, the credit risk essentially results from the cash deposits investments made both by the **Group** and the **Company**. With the purpose of reducing that risk, the **Group** and the **Company** policy is to invest in short/medium-term periods negotiated with several financial institutions, all with a relatively high credit rating (considering the rating of the Portuguese Republic).

The **Group** and the **Company** credit risk quality, as at 31 December 2022, related to these types of assets (Cash and cash equivalents as stated in Note 23, excluding the cash value) whose counterparties are financial institutions are detailed as follows:

Rating [1]	2022	
	Group	Company
Aa3	5,083	5,010
A1	20,628,223	—
A2	243,265	236,290
A3	16,746,960	9,360,861
Baa2	225,442,941	144,246,356
Baa3	3,205,749	263,392
Ba2 [2]	163	163
Ba3	92,439,698	88,946,807
Ba3 [3]	28,011	—
B3	12,304	—
Others [4]	25,930,146	40,800,706
	384,682,541	**283,859,584**

(1) Rating assigned by Moody's.
(2) Conversion of BB rating by Standard & Poor's
(3) Conversion of BB rating by Finch.
(4) Others with no rating.

As at 31 December 2022, the **Group** and the **Company** caption Cash and cash equivalents included term deposits, net of impairments, of 126,769,299 Euros e 124,606,988 Euros, respectively (67,522,764 Euros and 66,286,478 Euros as at 31 December 2021) (Note 23).

Due to the activity developed by CTT, namely, the requirements related to the Financial Services segment business, CTT are required to work with the majority of the financial institutions operating in Portugal, so the bank deposit amounts are spread over a wide range of financial institutions, some of which presenting a lower rate than the Portuguese Republic (Baa3). The assigned rating to the instruments rated below the Portuguese Republic was considered in the determination of Probability of Default (“PD”) used to calculate the Expected Credit Loss (“ELC”) as required by IFRS 9.

The following table includes the maximum exposure to credit risk associated with financial assets held by the **Group** and the **Company**. These amounts include only financial assets subject to credit risk and do not reconcile with the consolidated and individual balance sheet:

	Group		Company	
	2021	2022	2021	2022
Non-current				
Financial assets at fair value through profit or loss	2,261,947	26,219,905	—	—
Debt securities at fair value through other comprehensive income	4,906,841	—	—	—
Debt securities at amortized cost	294,986,658	409,388,745	—	—
Accounts receivable	—	—	587,308	617,421
Other assets	1,772,136	1,177,648	1,144,290	463,657
Credit to bank clients	1,125,984,322	1,287,676,223	—	—
Other banking financial assets	5,237,710	961,446	—	—
Current				
Accounts receivable	160,930,050	147,130,876	112,775,176	98,063,438
Credit to bank clients	415,924,171	489,888,789	—	—
Financial assets at fair value through profit or loss	24,999,138	26,478,525	—	—
Debt securities at fair value through other comprehensive income	1,188,069	—	—	—
Debt securities at amortized cost	39,173,861	128,391,899	—	—
Other assets	21,014,450	10,202,255	16,121,401	7,142,008
Other banking financial assets	8,550,155	459,242,817	—	—
Cash and cash equivalents	781,934,608	384,682,541	122,205,014	283,859,584
	2,888,864,116	**3,371,441,669**	**252,833,190**	**390,146,108**

The main changes in financial assets subject to credit risk are explained as follows:

- The increase in financial assets at fair value results from the MTM (Mark to Market) of interest rate derivatives in the form of Cap Agreement (associated with the Ulisses 1 and Ulisses 2 securitization operations) and Interest Rate SWAP (associated to Ulisses 3 securitization and to a derivative existing in Banco CTT).

- The increase in debt securities at amortized cost, current and non-current, essentially concerns investment in Portuguese, Spanish, Italian and French debt securities.

- The increase seen in the caption "Other banking financial assets" is explained by investments in central banks, namely in overnight deposits with the Bank of Portugal, which did not occur in previous years; and,

- The decrease verified in the caption "Cash and cash equivalents" is explained in detail in note 23.

The following table presents information on credit risk exposures of the banking activity (net of impairment and including off-balance exposures), on 31 December 2021 and 31 December 2022:

	2021	2022
Central administrations or Central banks	927,783,694	1,026,811,351
Credit Instituitions	39,519,962	68,143,012
Companies	322,646,371	399,764,137
Retail Clients	627,392,979	324,204,383
Real estate secured loans	610,487,985	672,246,535
Loans in default	27,807,933	47,779,757
Claims in the form of CIU	24,999,138	31,962,328
Other elements	71,645,360	84,669,017
Risk items	**2,652,283,424**	**2,655,580,521**

As mentioned before, the analysis of risk concentration is essentially based on geographic concentration and concentration in the economic sector in which the counterparts operate, so the respective details are as follows:

	2021								
	Central Authorities or Central Banks	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Claims in the form of CIU	Other Items	Total
Portugal	779,478,124	34,929,339	322,646,371	627,392,979	610,487,985	27,807,933	24,999,138	71,645,360	2,499,387,230
Spain	75,162,739	15	—	—	—	—	—	—	75,162,754
France	—	546	—	—	—	—	—	—	546
Italy	73,142,831	—	—	—	—	—	—	—	73,142,831
United Kingdom	—	4,590,063	—	—	—	—		—	4,590,063
Total	**927,783,694**	**39,519,962**	**322,646,371**	**627,392,979**	**610,487,985**	**27,807,933**	**24,999,138**	**71,645,360**	**2,652,283,424**

	2022								
	Central Authorities or Central Banks	Credit institutions	Companies	Retail customers	Loans secured by immovable assets	Non-performing loans	Claims in the form of CIU	Other Items	Total
Portugal	710,593,852	46,440,801	399,764,137	324,204,383	672,246,535	47,779,757	31,962,328	84,669,017	2,317,660,811
Spain	106,438,288	42	—	—	—	—	—	—	106,438,330
France	99,895,961	18,789,730	—	—	—	—	—	—	118,685,692
Italy	109,883,250	—	—	—	—	—	—	—	109,883,250
United Kingdom	—	2,912,439	—	—	—	—	—	—	2,912,439
Total	**1,026,811,351**	**68,143,012**	**399,764,137**	**324,204,383**	**672,246,535**	**47,779,757**	**31,962,328**	**84,669,017**	**2,655,580,521**

The gross credit exposure and related impairment detail for banking activity, by stages (excluding off-balance exposures) is as follows:

		2021								
		Central Authorities or Central Banks	Credit institutions	Other securities	Credit Portfolio					Total
					Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	927,904,466	48,026,077	5,635,058	593,851,532	1,063,058	573,014,633	262,587,449	4,246,157	2,416,328,429
	Impairment Losses	(120,772)	(3,911)	(3,040)	(568,962)	(24,375)	(3,444,368)	(2,378,112)	(57,802)	(6,601,341)
	Net exposure	927,783,694	48,022,166	5,632,017	593,282,570	1,038,683	569,570,264	260,209,337	4,188,355	2,409,727,087
Stage 2	Gross Exposure	—	—	—	1,533,943	224,711	53,541,147	31,813,102	53,745	87,166,648
	Impairment Losses	—	—	—	(16,398)	(40,890)	(2,245,718)	(2,297,423)	(2,147)	(4,602,577)
	Net exposure	—	—	—	1,517,545	183,821	51,295,429	29,515,678	51,598	82,564,071
Stage 3	Gross Exposure	—	—	—	34,154	1,323,622	40,987,875	4,315,525	234,935	46,896,110
	Impairment Losses	—	—	—	(10,921)	(1,083,316)	(15,483,758)	(1,942,043)	(31,315)	(18,551,353)
	Net exposure	—	—	—	23,232	240,306	25,504,117	2,373,482	203,620	28,344,757
POCI (Stage 3)	Gross Exposure	—	—	—	—	—	3,050,397	—	1,122,899	4,173,296
	Impairment Losses	—	—	—	—	—	(850,249)	—	(612,592)	(1,462,841)
	Net exposure	—	—	—	—	—	2,200,148	—	510,307	2,710,455
Total	Gross Exposure	927,904,466	48,026,077	5,635,058	595,419,629	2,611,391	670,594,052	298,716,076	5,657,736	2,554,564,483
	Impairment Losses	(120,772)	(3,911)	(3,040)	(596,281)	(1,148,581)	(22,024,094)	(6,617,578)	(703,856)	(31,218,113)
	Net exposure	927,783,694	48,022,166	5,632,017	594,823,348	1,462,810	648,569,958	292,098,497	4,953,880	2,523,346,371

		2022								
		Central Authorities or Central Banks	Credit institutions	Credit Portfolio					Total
				Mortage Loans	Overdrafts	Car Credit	Credit Card	Others	
Stage 1	Gross Exposure	1,026,748,646	69,080,933	654,166,084	1,160,521	695,283,801	314,746,753	2,541,252	2,763,727,991
	Impairment Losses	(131,693)	(1,589)	(692,389)	(17,171)	(3,439,330)	(3,319,689)	(44,062)	(7,645,924)
	Net exposure	1,026,616,953	69,079,344	653,473,696	1,143,350	691,844,471	311,427,064	2,497,190	2,756,082,067
Stage 2	Gross Exposure	—	—	4,913,423	152,035	43,404,052	40,578,635	61,751	89,109,896
	Impairment Losses	—	—	(85,370)	(17,149)	(4,346,763)	(2,498,964)	(6,763)	(6,955,009)
	Net exposure	—	—	4,828,053	134,886	39,057,289	38,079,671	54,988	82,154,887
Stage 3	Gross Exposure	—	—	461,643	1,509,429	52,351,276	18,487,262	195,572	73,005,182
	Impairment Losses	—	—	(135,766)	(1,136,117)	(23,883,597)	(14,178,413)	(7,712)	(39,341,606)
	Net exposure	—	—	325,876	373,312	28,467,680	4,308,848	187,860	33,663,576
POCI (Stage 3)	Gross Exposure	—	—	—	—	1,831,455	—	456,234	2,287,689
	Impairment Losses	—	—	—	—	(926,887)	—	(23)	(926,910)
	Net exposure	—	—	—	—	904,568	—	456,211	1,360,779
Total	Gross Exposure	1,026,748,646	69,080,933	659,541,150	2,821,985	792,870,585	373,812,649	3,254,809	2,928,130,758
	Impairment Losses	(131,693)	(1,589)	(913,526)	(1,170,437)	(32,596,578)	(19,997,066)	(58,560)	(54,869,449)
	Net exposure	1,026,616,953	69,079,344	658,627,625	1,651,548	760,274,007	353,815,583	3,196,249	2,873,261,309

Banco CTT uses an impairment model that is based on IFRS 9 and the respective reference criteria of Bank of Portugal defined in Circular Letter nº 62 / 2018. In addition, the model considers the definitions and criteria that have been published by European Banking Authority (EBA).

The exposure to public debt, net of impairment, of eurozone countries is detailed as follows:

	2021			2022		
	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total	Other financial assets at fair value through other comprehensive income	Other financial assets at amortized cost	Total
Portugal	849,374	185,468,467	186,317,841	—	221,627,387	221,627,387
Spain	—	75,162,739	75,162,739	—	106,420,662	106,420,662
Italy	—	73,142,831	73,142,831	—	109,840,122	109,840,122
France	—	—	—	—	99,892,472	99,892,472
	849,374	**333,774,037**	**334,623,411**	**—**	**537,780,644**	**537,780,644**

Interest rate risk

Changes in interest rates have a direct impact on the financial results of the **Group** and the **Company**. The interest rate risk manifests itself in three forms: (i) through the remuneration obtained with the application of the surplus liquidity, (ii) by the amount of the charges with the bank loans obtained and (iii) with the determination, through the impact on the discount rate, the estimate of liabilities with benefits to employees.

In order to reduce the impact of interest rate risk, the **Group** and the **Company** monitor market trends on a regular and systematic basis, with a view to leveraging the term/rate ratio on the one hand and risk/yield on the other.

The **Group** and the **Company** generally negotiate their deposits at fixed rates, while loans are negotiated at variable rates.

The application of surpluses liquidity follows criteria of diversification of financial risks, both in terms of terms and institutions, which are regularly reviewed and updated.

In the **Group** the investment of surplus liquidity, on 31 December 2021 and 31 December 2022, generated interest income of 19,048 Euros and 30,127 Euros, respectively (Note 51). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2021 and 2022, amounting to 9,832 Euros and 51,832 Euros, respectively (Note 43).

In the **Company** the investment of surplus liquidity, on 31 December 2021 and 31 December 2022, generated interest income of 116 Euros and 13,316 Euros, respectively (Note 51). Additionally, interest income is recorded for financial services in the caption Other operating income, in the years of 2021 and 2022, amounting to 9,832 Euros and 51,832 Euros, respectively (Note 43).

Under the non-banking activity, if the interest rates had a variation of 0.25 b.p., during the year ended 31 December 2022, the effect in the interest would have been 418 thousand Euros in the **Group** and 822 thousand Euros in the **Company** (103 thousand Euros and 156 thousand Euros as at 31 December 2021, respectively).

In the scope of banking activity, Banco CTT manages the interest rate risk on a continuous basis and within the specific tolerance limits defined by its Board of Directors. In addition to the practice hitherto followed of structurally managing the interest rate risk of its Financial Position using natural hedging in the composition of the investment portfolio, as well as placing interest rate hedging derivatives in securitization vehicles aligned with market practice and investor expectations, in 2022, the Banco CTT Group contracted interest rate hedging derivatives outside the perimeter of securitisations.

In the banking activity, as at 31 December 2022, one of the main instruments in the monitoring of balance sheet interest rate risk is based on the Banco de Portugal Instruction 34/2018. This model groups variation-sensitive assets and liabilities into 19 fixed timeframes (maturity dates or date of first review of interest rates, when indexed), from which a potential impact on economic value is calculated.

Economic value is calculated by the sum of the net present value of the discounted cash flows. This discount is based on an interest rate curve not subject to any type of shock, in which, for discount purposes, the average periods of the timeframes are assumed. As presented in the table below, the two standard scenarios that correspond to a positive and negative shock of 200 basis points are applied to the baseline scenario.

As at 31 December 2021 and 31 December 2022, the distribution of assets, liabilities and off-balance sheet items sensitive to the interest rate, according to the 19 timeframes and respective impact on economic value, are as follows:

2021 *(amounts in thousand Euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	778,434	607,321	471,785	642,898	(36)	8
At sight – 1 month	114,383	350,265	16,063	(219,819)	195	(44)
1 – 3 months	128,357	84,526	487	44,318	(147)	33
3 – 6 months	192,350	104,017	1,931	90,264	(673)	146
6 – 9 months	198,284	86,491	1,699	113,492	(1,405)	397
9 – 12 months	233,016	87,244	2,398	148,170	(2,564)	737
1 – 1,5 years	97,752	90,360	1,853	9,245	(227)	83
1,5 – 2 years	107,562	90,367	—	17,195	(587)	248
2 – 3 years	166,907	169,113	—	(2,206)	106	(53)
3 – 4 years	140,622	142,835	—	(2,213)	147	(80)
4 – 5 years	397,348	119,030	—	278,318	(23,390)	13,200
5 – 6 years	80,540	95,652	—	(15,112)	1,527	(887)
6 – 7 years	63,407	81,611	—	(18,204)	2,133	(1,299)
7 – 8 years	51,813	62,512	—	(10,699)	1,413	(926)
8 – 9 years	41,403	51,844	—	(10,441)	1,521	(1,090)
9 – 10 years	8,756	42,215	—	(33,459)	5,297	(4,069)
10 – 15 years	92,529	201,536	—	(109,007)	21,195	(16,829)
15 – 20 years	3,848	—	—	3,848	(973)	588
> 20 years	2,509	—	—	2,509	(879)	250
	2,899,820	**2,466,939**	**496,216**	**929,097**	**2,653**	**(9,587)**

2022 *(amounts in thousand Euros)*

Timeframe	Assets	Liabilities	Off-balance Sheet	Net position	Economic Value Delta (+200 bps)	Economic Value Delta (-200 bps)
At sight	746,113	759,346	338,410	325,178	(18)	18
At sight – 1 month	117,603	335,600	(185,484)	(403,481)	348	(356)
1 – 3 months	149,619	82,808	8,304	75,116	(242)	247
3 – 6 months	317,599	128,822	15,181	203,958	(1,461)	1,501
6 – 9 months	228,863	88,106	13,314	154,071	(1,812)	1,870
9 – 12 months	568,686	81,443	13,662	500,904	(8,126)	8,427
1 – 1,5 years	114,835	121,496	19,747	13,086	(297)	311
1,5 – 2 years	91,955	119,699	17,748	(9,997)	311	(328)
2 – 3 years	172,516	197,452	31,061	6,126	(264)	282
3 – 4 years	143,415	158,458	25,380	10,337	(599)	654
4 – 5 years	135,995	131,357	19,878	24,516	(1,756)	1,954
5 – 6 years	112,210	108,724	14,987	18,473	(1,554)	1,762
6 – 7 years	87,405	90,470	10,885	7,820	(747)	864
7 – 8 years	71,042	74,760	7,210	3,492	(370)	436
8 – 9 years	58,693	61,782	4,537	1,449	(167)	201
9 – 10 years	57,616	50,203	1,653	9,066	(1,120)	1,373
10 – 15 years	100,393	273,018	118	(172,507)	24,852	(32,289)
15 – 20 years	4,867	—	170	5,037	(851)	1,219
> 20 years	14,014	—	100	14,114	(2,766)	4,592
	3,293,439	**2,863,544**	**356,861**	**786,758**	**3,361**	**(7,262)**

In view of the interest rate gaps observed, as at 31 December 2022, the impact on the economic value of instantaneous and parallel shifts of the interest rates by -200 basis points is (6,210) thousand Euros (2021: (9,524) thousand Euros).

The main assumptions used in 2021 in the Bank's analyses were the following:

a. For Demand Deposits: 25.21% on demand, 74.79% distributed non-linearly over 15 years, giving it a duration of 3.7 years;

b. Savings Accounts: 39.49% in cash, 60.51% distributed non-linearly over 15 years, giving them a duration of 2.9 years;

c. Introduction of an annual rate of prepayment of Housing Credit, of 8.59%, proportionally distributed by each time interval bucket;

In 2021, they were revised and the following changes were introduced:

a. For Demand Deposits: 26.04% on demand, 73.96% distributed non-linearly over 15 years, giving it a duration of 3.9 years;

b. Savings Accounts: 50.64% in cash, 49.36% distributed non-linearly over 15 years, giving them a duration of 2.6 years;

c. Introduction of an annual rate of prepayment of Housing Credit, of 1.27%, proportionally distributed by each time interval bucket;

Additionally, the impact on the 12-month financial margin of changes in market interest rates is calculated on a monthly basis. In this exercise, all assets, liabilities or off-balance sheet elements that generate or pay interest cash flows are considered. The calculation is based on repricing characteristics and maturities, considering behavioural models and interest rate transmission coefficients (betas). Considering, everything else constant and, a positive variation of market interest rates of 50 b.p. on 31 December 2022, the net interest income would have decreased by 264.5 thousand euros, while a negative rate variation of 50 b.p. would imply a decrease in the margin of 1,488.9 thousand euros. The lack of symmetry between the two impacts is explained by the specific circumstances of the market at the reference date, namely the fact that the remuneration of customer funds has not yet undergone significant changes and it is expected that subsequent increases will register high betas.

Foreign currency exchange rate risk

Under the non-banking activity, exchange rate risk is related to the existence of balances in currencies other than the Euro, in particular balances arising from transactions with foreign Postal Operators recorded in Special Drawing Rights (SDR) and the related changes on the fair value of the financial assets and liabilities, as a result of changes in foreign currency exchange rates.

The management of foreign exchange risk relies on the periodic monitoring of the degree of exposure to the exchange rate risk of assets and liabilities, with the reference of previously defined objectives based on the evolution of the international business activities.

As at 31 December 2021 and 31 December 2022, the net exposure (assets minus liabilities) of the **Group** amounted to (7,949,165) SDR ((9,836.933) Euros at the exchange rate €/SDR 1.23748), and (15,852,830) SDR ((19,862,170) Euros at the exchange rate €/SDR 1.25291), respectively.

As far as the **Company** is concerned, as at 31 December 2021 and 31 December 2022, the net exposure (assets minus liabilities) amounted to (8,210,242) SDR ((10,160,010 Euros at the exchange rate €/SDR 1.23748), and (15,852,830) SDR ((19,451,157) Euros at the exchange rate €/SDR 1.25291), respectively.

In the sensitivity analysis performed for the balances of accounts receivable and payable to foreign Postal Operators, on 31 December 2021 and 31 December 2022, assuming an increase / decrease of

10% in the exchange rate € / SDR, the **Group's** profit and losses would have been higher by (983,693) Euros and by (1,986,217) Euros, respectively. The impact on the **Company's** profit and losses would have been higher by (1,016,001) Euros and by (1,945,116) Euros, respectively.

In the scope of the banking activity, Banco CTT does not incur in foreign currency exchange rate risk, since it only operates in the Euro currency.

Liquidity risk

Liquidity risk may occur if the funding sources, such as cash balances, operating cash flows and cash flows from divestment operations, credit lines and cash flows obtained from financial operations, do not match the **Group's** financial needs, such as cash outflows for operating and financing activities and investments and shareholder remuneration. Based on the cash flow generated by operations and the available cash on hand, the **Group** and the **Company** believe that they have the capacity to meet their obligations.

The fact of the **Group's** current liabilities is higher than its current assets as of 31 December 2022 does not derive from an effective liquidity risk but, mostly, is the result of 321 Crédito and Banco CTT subsidiaries consolidation, which, in view of its activities financial nature, they naturally present a current liability higher than the current asset, with the liquidity risk assessment of these activities carried out using regulatory indicators defined by the supervisory authorities.

Their main contractual obligations are related to the financing obtained (essentially financial leases) and respective interest, the operating leases and other non-contingent financial commitments.

The following tables detail the expected contractual obligations and financial commitments as at 31 December 2021 and 31 December 2022 for the **Group** and the **Company** and do not reconcile with the balance sheet:

	2021			
Group	**Due within 1 year**	**Over 1 year and less than 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Debts	54,529,293	128,741,586	28,808,052	212,078,932
Accounts payable	330,150,100	—	—	330,150,100
Banking client deposits and other loans	2,121,511,345			2,121,511,345
Other current liabilities	57,993,238			57,993,238
Other banking financial liabilities	35,137	277,760,616	—	277,795,753
Non-financial liabilities				
Non-contingent financial commitments (1)	4,471,199	—	—	4,471,199
	2,568,690,312	**406,502,202**	**28,808,052**	**3,004,000,567**

(1) The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Group	2022			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities	63,110,244	104,767,260	41,692,362	209,569,866
Debts	491,966,724	—	—	491,966,724
Accounts payable	2,245,329,918			2,245,329,918
Banking client deposits and other loans	351,654	445,226,206	—	445,577,860
Other current liabilities	50,938,850			50,938,850
Other banking financial liabilities	—	—	—	—
Non-financial liabilities				
Non-contingent financial commitments [1]	4,912,774	—	—	4,912,774
	2,856,610,164	**549,993,466**	**41,692,362**	**3,448,295,992**

[1] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Company	2021			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	36,364,405	104,561,496	10,904,932	151,830,832
Accounts payable	298,238,356	309,007	—	298,547,363
Shareholders	—	—	—	—
Other current liabilities	25,635,898	—	—	25,635,898
Non-financial liabilities				
Non-contingent financial commitments [1]	361,219	—	—	361,219
	360,599,877	**104,870,503**	**10,904,932**	**476,375,312**

[1] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Company	2022			
	Due within 1 year	Over 1 year and less than 5 years	Over 5 years	Total
Financial liabilities				
Debts	44,151,207	73,605,473	14,521,388	132,278,069
Accounts payable	458,593,234	309,007	—	458,902,241
Shareholders	12,412,010	—	—	12,412,010
Other current liabilities	20,586,137			20,586,137
Non-financial liabilities				
Non-contingent financial commitments [1]	1,357,457	—	—	1,357,457
	537,100,046	**73,914,480**	**14,521,388**	**625,535,914**

[1] The non-contingent financial commitments are essentially related to contracts signed with tangible fixed assets and intangible assets suppliers and a corresponding liability has not been recognized in the balance sheet (Notes 5 and 6).

Within the scope of banking activity, liquidity risk reflects the possibility of incurring significant losses arising from a deterioration in financing conditions (financing risk) and/or the sale of assets for values below market values (liquidity risk of market).

Overall, the liquidity risk management strategy is entrusted to the Board of Directors, which delegates it to the Executive Committee, and is carried out by the Treasury Department, based on constant vigilance of exposure indicators, being closely monitored by the Capital and Risk Committee.

The Capital and Risk Committee is responsible for controlling liquidity risk exposure, by analyzing liquidity positions and assessing their conformity with the applicable regulatory rules and limitations, as well as with the goals and guidelines defined by the **Group**.

The **Group's** liquidity risk is assessed through regulatory indicators defined by the supervision authorities, as well as through other internal metrics.

The Bank conducts liquidity stress tests aimed at identifying the main liquidity risk factors affecting its balance sheet and testing the Bank's resilience to liquidity crises.

As a liquidity contingency plan, the Bank has defined a series of measures that, when activated, will enable addressing and/or mitigating the effects of a liquidity crisis. These measures aim to respond to liquidity needs in stress scenarios.

Furthermore, the Bank conducts Internal Liquidity Adequacy Assessment Process (ILAAP) analyzes, thus complying with Banco de Portugal Instruction 2/2019 and the European Banking Authority (EBA) guidelines (EBL/GL/2016/10).

The Capital and Risk Committee that held 14 meetings in 2022, analyses the Bank's liquidity position, namely, the evolution of the balance sheet, the analysis of gaps and key activity indicators (liquidity and commercial gaps, deposit and credit rates). In brief, a comprehensive assessment is carried out of liquidity risk and its evolution, with special focus on current liquidity buffers and the generation/ maintenance of eligible assets.

At the level of the different assets, constant monitoring of the possibility of their transaction is maintained, duly framed by limits for operation in each market. Furthermore, under the periodic monitoring of the liquidity situation, the **Group** calculates the liquidity mismatch, Additional Liquidity Monitoring Metrics (ALMM), pursuant to the addenda issued in 2018 to Regulation (EU) 680/2014 of the Commission.

ALMM takes into account all the contracted outflows and inflows and uses a maturity ladder which enables confirming the existence or not of the **Group'**s liquidity mismatch, and also enables knowing its capacity to counterbalance any liquidity mismatch.

The liquidity mismatch is calculated for various timeframes, from overnight up to more than five years, taking into account the asset liability and off-balance sheet positions with expected and estimated financial flows that are scheduled according to the corresponding residual maturities or inflow/outflow date of the monetary flow.

As at 31 December 2022, the ALMM shows a positive liquidity mismatch (difference between contracted outflows and inflows) of 261 695 thousand Euros (128,810 thousand years at 31 December 2021).

Additionally, this positive liquidity mismatch is reinforced by the financial assets and reserves at the Central Bank of close to 1 463 855 thousand Euros (781,858 thousand years at 31 December 2021).

Market Risk

Market Risk broadly means any loss arising from an adverse change in the value of a financial instrument as a result of a variation in interest rates, exchange rates, share prices, prices of goods or real estate, volatility and credit spreads.

The Group does not have a Trading portfolio, and at the end of 2022 the entirety of its debt securities portfolio is accounted for as financial assets at amortized cost, with the main risk arising from their investments, the credit risk and not the market risk. Additionally, the Bank holds participation units for a total amount of 26,479 thousand euros in a real estate investment fund which is accounted for at fair value through profit or loss.

In order to limit possible negative impacts due to difficulties in a market, sector or issuer, the **Group** has defined a set of limits for the management of its own portfolio in order to ensure that the levels of risk incurred in the Group's portfolios are in line with pre-defined levels. - Defined risk tolerance. These limits are established at least annually and are regularly monitored by the Capital and Risk Committee, Audit Committee and Board of Directors.

Operational Risk

The **Group,** in view of the nature of its activity, is exposed to potential losses or reputational risk, as a result of human errors, failures of systems and/or processing, unexpected stoppage of activity or failures on the part of third parties in terms of supplies, provisions or execution of services.

The approach to operational risk management is underpinned by the end-to-end structure, ensuring the effective adequacy of the controls involving functional units that intervene in the process. The Group identifies and assesses the risks and controls of the processes, ensuring their compliance with the requirements and principles of the Internal Control System.

Capital risk

The **Group** and the **Company** manage their capital to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the **Group** and the **Company** may adjust the amount paid to shareholders in dividends, issue new debt or sell assets to reduce debt.

The balance of capital structure is monitored based on the adjusted solvency ratio, calculated as: Equity / Liabilities.

The solvency ratios at 31 December 2021 and 31 December 2022, were as follows:

	Group		Company	
	2021	2022	2021	2022
Equity	174,546,069	224,929,476	173,310,807	223,832,043
Liabilities	3,410,652,529	3,832,558,723	862,774,528	911,600,030
Amounts of third parties	218,392,487	362,607,756	218,392,900	362,607,764
Adjusted solvency ratio (1)	5.5%	6.5%	26.9%	40.8%

(1) Equity / (Liabilities - Amounts of third parties in Cash and cash quivalents)

Regarding Banco CTT, the definition of the strategy to be adopted in terms of capital management is the responsibility of the Board of Directors.

Banco CTT seeks to achieve high financial solidity by maintaining a total own funds ratio - the ratio between own capital and risk-weighted assets - comfortably above the legal minimum as set out in Directive 2013/36/EU and Regulation (EU) No. 575/2013 (CRR" - Capital Requirements Regulation), adopted on 26 June 2013 by the European Parliament and the Council.

The ICAAP (Internal Capital Adequacy Assessment Process) is an important process in the Group's risk management with the objective of identifying the necessary capital to adequately cover the risks that the Group incurs in the development of its current business strategy.

The Bank carries out this annual self-assessment exercise to determine the levels of capital adequacy in relation to its business model. This process, which is regulated by Bank of Portugal Instruction nº 3/2019 and the EBA guidelines, seeks to ensure that the risks to which institutions are exposed are correctly assessed and that the internal capital they have is adequate in relation to the respective risk profile.

The ICAAP is a tool that allows the Board of Directors to test the adequacy of the Bank's capitalization to the risks of its activity, the sustainability of the strategic budget plan in the medium term and the respective framework within the risk limits defined in its Risk Appetite Statement. The ICAAP guides the Group in the assessment and quantification of the main risks to which it may be exposed, thus also constituting an important management tool in decision-making regarding the levels of risk to be assumed and the activities to be undertaken.

The **Group** calculates its internal capital using regulatory models, thus its internal capital is composed of its regulatory own funds.

<u>Capital ratios – Banco CTT</u>

The main goal of capital management is ensuring compliance with the Bank's strategic goals as regards capital adequacy, thereby complying and enforcing compliance with the minimum capital requirements stipulated by the supervisory authorities.

In calculating capital requirements, Banco CTT used the standard method for credit risk and risk of the counterpart, used the basic indicator method for operational risk and used the standard method with the maturity-based approach to market risk.

Capital, calculated pursuant to Directive 2013/36/UE and Regulation (UE) no. 575/2013 of the European Parliament and of the Council and Bank of Portugal Notice 10/2017, include Common and additional Equity Tier 1 and Tier 2 capital. Tier 1 includes Common Equity Tier 1 (CET1) and additional Tier 1 capital.

The Bank's Common Equity Tier 1 includes: a) paid-up capital and retained earnings and reserves, b) regulatory deductions related to intangible assets and losses for the financial year underway and c) prudential filters. The Bank has no additional Tier 1 capital, nor Tier 2 capital.

The current legislation contemplates a transition period between the own funds' requirements according to national legislation and those calculated according to Community legislation in order to phase both the non-inclusion/exclusion of elements previously considered (phased-out) or the inclusion/deduction of new elements (phased-in). At the prudential framework level, institutions should report Common Equity Tier 1, tier 1 and total ratios of not less than 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer and a countercyclical buffer, in the case of the Bank, 0%

In order to promote the banking system capacity to perform this function adequately, and cumulatively with monetary policy measures, financial regulatory and supervisory authorities have introduced a wide range of measures. These measures went through the easing of a wide range requirements usually required to institutions. In the case of the banking system, the European Central Bank and the Bank of Portugal allowed the institutions directly supervised by them to operate temporarily with a level of own funds below the orientations and of the combined reserve of own funds, and with levels of liquidity lower than the liquidity coverage requirement.

During 2020, there were disclosed - by the national supervisor and the European Union - several measures of flexibilization of regulatory and supervisory requirements to relieve the contingency situation arising from the Covid-19 outbreak, through the reduction of regulatory capital requirements, including reserves of macroprudential capital.

Bank of Portugal Notice 10/2017 governs the transition period set out in the CRR as regards capital, namely regarding the deduction related to deferred taxes generated before 2014 and to the subordinated debt and non-eligible hybrid instruments, both of which are not applicable to Banco CTT.

With the introduction of IFRS 9 the Bank chose to recognize in stages the respective impacts of the static component in accordance with article 473-A of the CRR.

As at 31 December 2021 and 31 December 2022, the Bank had the following capital ratios, calculated pursuant to the transitory provisions set out in the CRR:

	2021		2022	
	CRR Phasing in	*CRR Fully Implemented*	*CRR Phasing in*	*CRR Fully Implemented*
OWN FUNDS				
Share Capital	**296,400,000**	**296,400,000**	**296,400,000**	**296,400,000**
Retained Earnings	**(73,953,847)**	**(73,953,847)**	**(59,348,171)**	**(59,348,171)**
Other Reserves	**(125,511)**	**(125,511)**	**347,757**	**347,757**
Prudential Filters	**20,651**	**20,651**	**—**	**—**
Fair value reserve [1]	26,746	26,746	—	—
Additional Valuation Adjustment (AVA) [2]	(6,095)	(6,095)	—	—
Deduction to the main Tier 1 elements	**(69,231,107)**	**(76,941,599)**	**(68,809,596)**	**(76,171,372)**
Intangible assets	(76,245,896)	(76,245,896)	(75,474,670)	(75,474,670)
IFRS 9 adoption	7,014,789	(695,703)	6,665,074	(696,703)
Items not deducted from Own Funds according to article 437 of CRR	**1,816,599**	**1,816,599**	**1,732,475**	**1,732,475**
Deferred tax assets	1,816,599	1,816,599	1,732,475	1,732,475
Common Equity Tier 1	**167,237,588**	**159,527,096**	**184,876,483**	**177,514,707**
Tier 1 Capital	**167,237,588**	**159,527,096**	**184,876,483**	**177,514,707**
Total Own Funds	**167,237,588**	**159,527,096**	**184,876,483**	**177,514,707**
RWA				
Credit Risk	917,327,393	917,327,393	1,000,303,421	1,000,303,421
Operational Risk	124,504,249	124,504,249	148,924,759	148,924,759
Market Risk	—	—	—	—
CVA	—	—	33,365,873	33,365,873
IFRS 9 Adjustments	—	(6,812,372)	—	(6,296,240)
	1,041,831,642	**1,035,019,270**	**1,182,594,053**	**1,176,297,813**
CAPITAL RATIOS				
Common Equity Tier 1	16.05%	15.41%	15.63%	15.09%
Tier 1 Ratio	16.05%	15.41%	15.63%	15.09%
Total Capital Ratio	16.05%	15.41%	15.63%	15.09%
REGULATORY MINIMUM RATIOS				
Common Equity Tier 1	7.00%	7.00%	7.00%	7.00%
Tier 1 Ratio	8.50%	8.50%	8.50%	8.50%
Total Capital Ratio	10.50%	10.50%	10.50%	10.50%

[1]) Fair value reserve relating to gains or losses on financial assets valued at fair value.
[2] Additional value adjustments necessary to adjust assets and liabilities valued at fair value.

Use of External Rating Assessments:

Banco CTT uses the ECAI's ratings (External Credit Assessment Institutions), in particular, the ratings issued by Moody's, S&P, Fitch and DBRS, for credit institutions exposures with a residual maturity greater than 3 months and for company exposures. Regarding this, the **Group** uses the standard relationship published by EBA between ECAIs and credit quality degrees.
Regarding the risk weight calculation to be applied in RWA calculation, the credit assessments allocation of the issuer occurs as follows:

a) debt securities positions are rated specifically for these issues;
b) If there are no specific credit ratings for the issues, as mentioned in a), the credit ratings attributed to the issuers of the same are considered, if any;
c) credit exposures that are not represented by debt securities receive only, and when they exist, the issuers' credit ratings.

At the reference dates, the Bank presented the following exposures:

		2021			2022		
Ratings	Credit Quality Degree	Institutions, residual maturity > 3m	Companies	Sovereign	Institutions, residual maturity > 3m	Companies	Sovereign
AAA AA	1	—	—	—	—	—	—
A	2	11,424,488	5,632,045	75,176,074	5,239,419	—	206,334,463
BBB	3	2,350,000	—	259,567,814	4,700,523	—	331,577,782
BB	4	—	—	—	—	—	—
B	5	—	—	—	—	—	—
<B	6	—	—	—	—	—	—
Without rating	Without rating	—	5,245,536	—	450,250,022	149,953,645	—
		13,774,488	**10,877,581**	**334,743,888**	**460,189,964**	**149,953,645**	**537,912,245**

18. Inventories

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** Inventories are detailed as follows:

	2021					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,386,718	3,131,405	4,255,313	6,989,647	3,131,405	3,858,242
Raw, subsidiary and consumable materials	3,647,788	867,668	2,780,120	3,617,626	867,668	2,749,958
Advances on purchases	(163,158)	—	(163,158)	(163,158)	—	(163,158)
	10,871,348	**3,999,073**	**6,872,274**	**10,444,115**	**3,999,073**	**6,445,041**

	2022					
	Group			Company		
	Gross amount	Impairment losses	Net amount	Gross amount	Impairment losses	Net amount
Merchandise	7,644,305	2,747,401	4,896,905	6,604,998	2,747,401	3,857,597
Raw, subsidiary and consumable materials	4,314,685	922,314	3,392,372	4,276,475	922,314	3,354,162
Advances on purchases	(248,301)	—	(248,301)	(248,301)	—	(248,301)
	11,710,689	**3,669,714**	**8,040,976**	**10,633,172**	**3,669,715**	**6,963,458**

Cost of sales

During the years ended 31 December 2021 and 31 December 2022, the details of Cost of sales related to the **Group** and the **Company**, were as follows:

	2021					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	6,509,642	3,572,266	10,081,907	6,191,416	3,548,077	9,739,493
Purchases	23,212,650	3,233,052	26,445,702	16,904,067	3,197,669	20,101,736
Inventories offers	(1,584)	—	(1,584)	(1,584)	—	(1,584)
Adjustments	(44,303)	(31,779)	(76,082)	(44,082)	(31,779)	(75,860)
Impairment of inventories	679,290	119,968	799,258	679,290	119,968	799,258
Closing balance	(7,386,718)	(3,647,788)	(11,034,506)	(6,989,647)	(3,617,626)	(10,607,273)
Cost of sales	**22,968,976**	**3,245,720**	**26,214,696**	**16,739,461**	**3,216,309**	**19,955,770**

	2022					
	Group			Company		
	Merchandise	Raw, subsidiary and consumable materials	Total	Merchandise	Raw, subsidiary and consumable materials	Total
Opening balance	7,386,718	3,647,788	11,034,506	6,989,647	3,617,626	10,607,273
Purchases	42,857,773	5,196,627	48,054,400	13,769,103	5,163,919	18,933,022
Inventories offers	(34,505)	(44,213)	(78,718)	(34,505)	(44,213)	(78,718)
Adjustments	(14,442)	26,441	12,000	(14,442)	26,441	12,000
Impairment of inventories	(211,906)	54,645	(157,261)	(211,906)	54,645	(157,261)
Closing balance	(7,644,305)	(4,314,685)	(11,958,991)	(6,604,998)	(4,276,475)	(10,881,473)
Cost of sales	**42,339,333**	**4,566,603**	**46,905,936**	**13,892,899**	**4,541,943**	**18,434,842**

Impairment

During the years ended 31 December 2021 and 31 December 2022, the movements in the **Group** and the **Company** Accumulated impairment losses (Note 25) were as follows:

Group and Company	2021 Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	2,525,086	680,033	(743)	(72,971)	3,131,405
Raw, subsidiary and consumable materials	847,331	128,297	(8,329)	(99,631)	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**3,999,073**

Group and Company	2022 Opening balance	Increases	Reversals	Utilizations	Closing balance
Merchandise	3,131,405	—	(211,906)	(172,098)	2,747,401
Raw, subsidiary and consumable materials	867,668	54,645		—	922,314
	3,999,073	**54,645**	**(211,906)**	**(172,098)**	**3,669,714**

For the years ended 31 December 2021 and 31 December 2022, impairment losses of inventories were recorded in the **Group** and the **Company** net of reversals amounting to 799,258 Euros and 157,261 Euros, respectively, in the caption Cost of sales.

19. Accounts receivable

As at 31 December 2021 and 31 December 2022 the **Group** and the **Company** heading Accounts receivable showed the following composition:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Non-current				
Group companies [1]	—	—	587,308	617,421
	—	**—**	**587,308**	**617,421**
Current				
Third parties	126,171,101	125,451,093	52,643,061	50,910,203
Postal operators	34,500,951	21,469,695	32,094,758	19,526,611
Group companies [1]	257,998	210,088	28,037,356	27,626,623
	160,930,050	**147,130,876**	**112,775,176**	**98,063,438**
	160,930,050	**147,130,876**	**113,362,484**	**98,680,859**

[1] Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2021 and 31 December 2022, the ageing of accounts receivable is detailed as follows:

Accounts receivable	2021					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	79,273,178	(44,046)	79,229,132	46,901,455	(21,543)	46,879,912
Overdue [(1)]:						
0-30 days	16,088,882	(8,744)	16,080,138	6,442,354	(1,576)	6,440,778
31-90 days	15,710,958	(5,626)	15,705,332	12,332,581	(1,759)	12,330,822
91-180 days	9,336,160	(259,477)	9,076,683	14,194,213	(16,940)	14,177,273
181-360 days	12,493,719	(1,200,134)	11,293,586	8,330,140	(255,123)	8,075,017
> 360 days	67,910,752	(38,365,572)	29,545,180	29,223,183	(3,764,502)	25,458,681
	200,813,650	**(39,883,599)**	**160,930,050**	**117,423,927**	**(4,061,443)**	**113,362,484**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Accounts receivable	2022					
	Group			Company		
	Gross amount	Accumulated impairment losses	Net amount	Gross amount	Accumulated impairment losses	Net amount
Non-overdue	80,929,727	(62,922)	80,866,805	45,505,023	(17,936)	45,487,088
Overdue [(1)]:						
0-30 days	12,966,949	(41,899)	12,925,050	7,224,389	(47)	7,224,343
31-90 days	13,326,329	(42,621)	13,283,708	14,538,345	(608)	14,537,737
91-180 days	7,229,498	(39,395)	7,190,103	11,318,609	(5,510)	11,313,099
181-360 days	14,292,753	(1,137,324)	13,155,429	7,228,606	(224,585)	7,004,022
> 360 days	59,794,667	(40,084,887)	19,709,780	16,514,705	(3,400,135)	13,114,570
	188,539,923	**(41,409,047)**	**147,130,876**	**102,329,679**	**(3,648,820)**	**98,680,859**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

The net amount of the Accounts receivable balances overdue over 360 days is broken down as follows:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Other accounts receivable	5,267,661	8,767,791	1,983,014	2,960,794
Foreign operators	24,277,519	10,941,989	23,475,667	10,153,776
Total	**29,545,180**	**19,709,780**	**25,458,681**	**13,114,570**
Foreign operators - payable (Note 34)	**24,311,914**	**22,526,001**	**24,060,455**	**22,526,001**

The caption Foreign Operators relates to receivables associated with the distribution of postal items in Portugal with origin in other countries.

These operations fall within the scope of the regulations of the Universal Postal Union (UPU) that establishes the closing of the accounts on an annual basis which therefore is only made after the year end and originates the significant overdue balance with more than 360 days with these customers. It should also be mentioned that the referred regulation establishes a period of up to 22 months for the presentation of the accounts and, therefore, the foreign operators' balances reflect the expected trend of this specific business.

The **Group** does not have an unconditional right to settle the Foreign Operators amounts by net values, deducting unilaterally the receivable amounts from the payable amounts, for which the balances are presented in assets and liabilities. However, under the UPU regulations, the accounts between Foreign Operators are cleared by netting accounts, so the credit risk is mitigated by the accounts payable balances related to these entities and by the advance payments on the net receivables of the year (Note 34).

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2021 were as follows:

Group	2021	2020	2019 and previous	Total
Nature				
Customers	2,415,630	9,976,921	22,108,400	34,500,951
Suppliers	(18,048,909)	(11,887,129)	(13,877,338)	(43,813,375)

The accounts receivable and payable from foreign postal operators' detail by ageing (reference year) with reference of 31 December 2022 were as follows:

Group	2022	2021	2020 and previous	Total
Nature				
Customers	6,654,552	(228,729)	15,043,872	21,469,695
Suppliers	(23,285,207)	(13,773,335)	(13,049,869)	(50,108,412)

The revenue recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

The balance of national customers includes receivables of public entities and other clients that are also suppliers which will be netted with accounts payable balances and customers with debt payment plans.

In the universe of national customers, the level of coverage of customer debts by bank guarantees and prior customer deposits maintained a downward trend, standing at 31 December 2022 for the **Group** at 0.9% (31 December 2021: 0.9%), and 1.4% in the **Company** (31 December 2021: 1.5%). It should be noted that the current legislation does not allow the use of this type of customer risk protection mechanisms in essential public service contracts, which include mail credit sales contracts.

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Advance deposits	1,032,034	976,870	702,934	660,771
Bank guarantees	48,753	26,500	48,753	26,500
Total	**1,080,787**	**1,003,370**	**751,687**	**687,271**

Impairment losses

During the years ended 31 December 2021 and 31 December 2022, the movement in the **Group** Accumulated impairment losses caption (Note 25) was as follows:

Group	2021					
	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	51,648	39,883,599
	39,633,843	**4,209,818**	**(2,588,327)**	**(1,423,383)**	**51,648**	**39,883,599**

Group	2022					
	Opening balance	Increases	Reversals	Utilizations	Changes in the consolidation perimeter	Closing balance
Accounts receivable	39,883,599	3,835,005	(1,641,407)	(669,845)	1,695	41,409,047
	39,883,599	**3,835,005**	**(1,641,407)**	**(669,845)**	**1,695**	**41,409,047**

For the years ended 31 December 2021 and 31 December 2022, impairment losses of accounts receivable were recorded in the **Group** (net of reversals) amounting to 1,621,491 Euros and 2,193,598 Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

As at 31 December 2021, the companies in the Express & Parcels segment have the greatest contribution to the evolution of accounts receivables impairments, with the increases resulting from the combination of the increase in their own activity and a more incisive management of debt, with the transfer of debt of some clients for litigation. The reversals result from the completion of some litigation proceedings in favour of the **Group** and the settlement of outstanding amounts (especially older debt) with the largest customers.

As at 31 December 2022, companies in the Express segment continue to be the ones that most contribute to the evolution of accounts receivables impairments, this greater contribution being justified by the growth dynamics of this segment, combined with the strict application of internal rules for credit control, which translates into the end of the process, and when there is no collection of the amounts owed, in the transfer of clients to litigation. Reversals are essentially justified by debt recovery, either through credit management or through the courts.

During the years ended 31 December 2021 and 31 December 2022, the movement in Accumulated impairment losses caption (Note 25) of the **Company** was as follows:

Company	2021				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	4,061,443
	4,427,512	**521,584**	**(200,000)**	**(687,653)**	**4,061,443**

Company	2022				
	Opening balance	Increases	Reversals	Utilizations	Closing balance
Accounts receivable	4,061,443	984,939	(1,267,331)	(130,231)	3,648,820
	4,061,443	**984,939**	**(1,267,331)**	**(130,231)**	**3,648,820**

For the years ended 31 December 2021 and 31 December 2022, impairment losses of accounts receivable were recorded in the **Company** (net of reversals) amounting to 321,584 Euros and (282,392) Euros, respectively, in the caption Impairment of accounts receivable, net (Note 46).

20. Credit to banking clients

As at 31 December 2021 and 31 December 2022, the **Group** caption Credit to banking clients was detailed as follows:

	31.12.2021	31.12.2022
Performing loans	**1,560,653,792**	**1,808,576,514**
Mortgage Loans	595,419,629	659,528,828
Auto Loans	660,982,844	780,322,145
Credit Cards	297,943,534	364,276,261
Leasings	4,975,252	3,098,317
Overdrafts	1,332,534	1,350,964
Other credits	—	—
Overdue loans	**12,345,092**	**23,724,664**
Overdue loans - less than 90 days	1,165,016	1,407,206
Overdue loans - more than 90 days	11,180,076	22,317,458
	1,572,998,883	**1,832,301,179**
Credit risk impairment	**(31,090,390)**	**(54,736,167)**
	1,541,908,493	**1,777,565,012**

The maturity analysis of the Credit to bank clients as at 31 December 2021 and 31 December 2022 is detailed as follows:

	31.12.2021								
	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,529,387	13,058,049	—	17,587,436	35,360,412	542,471,779	577,832,191	595,419,626
Auto Loans	—	27,206,248	73,256,613	9,611,208	110,074,069	188,259,391	372,260,592	560,519,983	670,594,052
Credit Cards	—	297,943,534	—	772,542	298,716,076	—	—	—	298,716,076
Leasings	—	460,233	1,281,167	76,935	1,818,335	2,717,445	516,407	3,233,852	5,052,187
Overdraft	1,332,534	—	—	1,278,857	2,611,391	—	—	—	2,611,391
Other credits	—	—	—	605,550	605,550	—	—	—	605,550
	1,332,534	**330,139,402**	**87,595,829**	**12,345,092**	**431,412,857**	**226,337,248**	**915,248,778**	**1,141,586,026**	**1,572,998,883**

	31.12.2022								
	Current					Non-current			
	At sight	Due within 3 months	>3 months - < 1 year	Overdue Loans	Total	> 1 year - > 3 years	Over 3 years	Total	Total
Mortgage loans	—	4,636,444	12,111,511	12,322	16,760,276	33,650,594	609,130,280	642,780,874	659,541,150
Auto Loans	—	31,350,940	83,953,302	12,548,440	127,852,682	218,528,051	446,489,852	665,017,903	792,870,584
Credit Cards	—	364,276,261	—	9,536,389	373,812,649	—	—	—	373,812,649
Leasings	—	343,726	802,179	156,492	1,302,398	1,277,212	675,199	1,952,411	3,254,809
Overdraft	1,350,964	—	—	1,471,022	2,821,986	—	—	—	2,821,986
	1,350,964	**400,607,371**	**96,866,992**	**23,724,664**	**522,549,991**	**253,455,856**	**1,056,295,331**	**1,309,751,188**	**1,832,301,179**

The Credit Cards caption represents a portfolio of credit cards acquired within the scope of the Universo Partnership with Universo, IME, S.A.. This portfolio was recognized in the Group's financial statements to the extent that the Group is a sole investor in the Next Funding No.1 securitization operation and, therefore, in compliance with the conditions set out in IFRS 10 - Consolidated Financial Statements, the securitization operation is consolidated.

On 31 December 2022, the **Group**, through its subsidiary Banco CTT, and Universo, IME, reviewed the terms of the Partnership Agreement in the area of financial services, communicated to the market on 1 December 2022. April 2021. In this context, Banco CTT and Universo agreed on the terms for the termination of the Agreement with a view to ending the partnership by December 2023. Notwithstanding this agreement, the conditions provided for in IFRS 10 for recognition of the credit card portfolio credit in the Group's financial statements continue to be verified on 31 December 2022. Under this agreement, Banco CTT will be entitled to compensation of 2,000 thousand euros, as disclosed in note 43.

The breakdown of this heading by type of rate is as follows:

	31.12.2021	31.12.2022
Fixed rate	926,351,787	1,147,499,141
Floating rate	646,647,096	684,802,038
	1,572,998,883	**1,832,301,179**
Credit risk impairment	(31,090,390)	(54,736,167)
	1,541,908,493	**1,777,565,012**

As at 31 December 2021 and 31 December 2022, the analysis of this caption by type of collateral, is presented as follows:

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	600,433,555	1,510,327	601,943,882	(2,409,164)	599,534,718
Other guaranteed Loans	645,072,323	4,775,730	649,848,053	(17,150,161)	632,697,892
Unsecured Loans	315,147,914	6,059,034	321,206,948	(11,531,064)	309,675,884
	1,560,653,792	**12,345,092**	**1,572,998,883**	**(31,090,390)**	**1,541,908,493**

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Asset-backed Loans	662,647,627	146,757	662,794,383	(1,036,479)	661,757,905
Other guaranteed Loans	761,033,646	5,465,861	766,499,507	(25,917,657)	740,581,850
Unsecured Loans	384,895,241	18,112,047	403,007,288	(27,782,031)	375,225,257
	1,808,576,514	**23,724,664**	**1,832,301,179**	**(54,736,167)**	**1,777,565,012**

The credit type analysis of the caption, as at 31 December 2021 and 31 December 2022 is detailed as follows:

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	595,419,629	—	595,419,629	(596,281)	594,823,348
Auto Loans	660,982,844	9,611,208	670,594,052	(22,024,094)	648,569,958
Credit Cards	297,943,534	772,542	298,716,076	(6,617,578)	292,098,498
Leasings	4,975,252	76,935	5,052,186	(98,307)	4,953,880
Overdrafts	1,332,534	1,278,857	2,611,391	(1,148,581)	1,462,810
Other credits	—	605,550	605,550	(605,550)	—
	1,560,653,792	**12,345,091**	**1,572,998,883**	**(31,090,390)**	**1,541,908,493**

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Mortgage Loans	659,528,828	12,322	659,541,150	(913,526)	658,627,625
Auto Loans	780,322,145	12,548,440	792,870,585	(32,596,578)	760,274,007
Credit Cards	364,276,261	9,536,389	373,812,649	(19,997,066)	353,815,583
Leasings	3,098,317	156,492	3,254,809	(58,560)	3,196,249
Overdrafts	1,350,964	1,471,022	2,821,986	(1,170,437)	1,651,548
	1,808,576,514	**23,724,664**	**1,832,301,179**	**(54,736,167)**	**1,777,565,012**

The analysis of credit to bank clients as at 31 December 2021 and 31 December 2022, by sector of activity, is as follows:

	2021				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	**56,009,899**	**1,584,427**	**57,594,325**	**(2,227,312)**	**55,367,014**
Agriculture, forestry and fishing	4,233,937	38,988	4,272,925	(131,975)	4,140,950
Mining and quarrying	694,899	211	695,109	(4,777)	690,333
Manufacturing	6,007,208	137,158	6,144,366	(173,610)	5,970,756
Water supply	123,735	—	123,735	(230)	123,506
Construction	9,894,287	300,665	10,194,952	(386,725)	9,808,227
Wholesale and retail trade	10,126,222	428,000	10,554,222	(530,948)	10,023,274
Transport and storage	4,168,460	87,594	4,256,054	(115,008)	4,141,046
Accommodation and food service activities	4,182,495	90,792	4,273,288	(146,261)	4,127,027
Information and communication	644,625	421	645,046	(4,991)	640,054
Financial and insurance activities	307,998	2,231	310,229	(3,766)	306,463
Real estate activities	1,706,577	2,052	1,708,628	(21,028)	1,687,600
Professional, scientific and technical activities	1,657,181	8,011	1,665,192	(45,590)	1,619,602
Administrative and support service activities	3,471,167	329,223	3,800,390	(379,908)	3,420,482
Education	721,135	575	721,711	(9,691)	712,019
Human health services and social work activities	1,305,341	14,931	1,320,271	(23,464)	1,296,808
Arts, entertainment and recreation	897,261	73,013	970,274	(65,933)	904,342
Other services	5,867,371	70,562	5,937,933	(183,407)	5,754,525
Individuals	**1,504,643,890**	**10,760,664**	**1,515,404,554**	**(28,863,077)**	**1,486,541,477**
Mortgage Loans	595,515,589	—	595,515,589	(598,198)	594,917,391
Consumer Loans	909,128,301	10,760,664	919,888,965	(28,264,879)	891,624,086
	1,560,653,792	**23,105,754**	**1,572,998,883**	**(31,090,390)**	**1,541,908,493**

	2022				
	Performing Loans	Overdue Loans	Gross amount	Impairment	Net amount
Companies	**73,517,445**	**1,432,171**	**74,949,616**	**(2,636,453)**	**72,313,163**
Agriculture, forestry and fishing	8,953,383	111,188	9,064,571	(284,460)	8,780,112
Mining and quarrying	1,275,893	2,431	1,278,324	(17,045)	1,261,279
Manufacturing	6,335,183	149,505	6,484,688	(209,049)	6,275,639
Water supply	76,074	—	76,074	(877)	75,198
Construction	12,763,802	393,388	13,157,190	(607,158)	12,550,031
Wholesale and retail trade	10,508,686	160,442	10,669,128	(312,582)	10,356,546
Transport and storage	7,191,249	189,058	7,380,307	(249,279)	7,131,028
Accommodation and food service activities	5,522,098	97,047	5,619,145	(234,925)	5,384,220
Information and communication	825,977	165	826,142	(4,572)	821,570
Financial and insurance activities	281,488	6,662	288,150	(16,097)	272,052
Real estate activities	1,882,180	3,234	1,885,414	(38,052)	1,847,362
Professional, scientific and technical activities	2,199,136	19,674	2,218,810	(71,056)	2,147,754
Administrative and support service activities	3,876,731	90,129	3,966,861	(186,372)	3,780,489
Public Administration, Defense and Social Security	95,618	—	95,618	(488)	95,130
Education	790,979	1,941	792,920	(13,857)	779,063
Human health services and social work activities	1,356,996	46,801	1,403,797	(33,217)	1,370,580
Arts, entertainment and recreation	1,196,427	93,056	1,289,483	(98,709)	1,190,774
Other services	8,385,545	67,450	8,452,994	(258,658)	8,194,336
Individuals	**1,735,059,070**	**22,292,494**	**1,757,351,563**	**(52,099,713)**	**1,705,251,851**
Mortgage Loans	659,618,068	12,322	659,630,390	(915,248)	658,715,142
Consumer Loans	1,075,441,002	22,280,172	1,097,721,173	(51,184,465)	1,046,536,709
	1,808,576,515	**23,724,665**	**1,832,301,179**	**(54,736,166)**	**1,777,565,012**

The total credit portfolio, split by stage according to IFRS 9, is analysed as follows:

	2021	2022
Stage 1	**1,428,289,210**	**1,660,385,770**
Gross amount	1,434,762,828	1,667,898,411
Impairment	(6,473,618)	(7,512,642)
Stage 2	**82,564,071**	**82,154,887**
Gross amount	87,166,648	89,109,896
Impairment	(4,602,577)	(6,955,009)
Stage 3	**31,055,213**	**35,024,355**
Gross amount	51,069,407	75,292,871
Impairment	(20,014,194)	(40,268,516)
	1,541,908,493	**1,777,565,012**

The caption credit to bank clients includes the effect of traditional securitization transactions, carried out through securitization vehicles, consolidated pursuant to IFRS 10 in accordance with accounting policy 2.2.

The caption credit to bank clients includes the following amounts related to finance leases contracts:

	2021	2022
Amount of future minimum payments	5,352,218	3,548,810
Interest not yet due	(376,966)	(450,493)
Present value	**4,975,252**	**3,098,317**

The amount of future minimum payments of lease contracts, by maturity terms, is analyzed as follows:

	2021	2022
Due within 1 year	2,106,914	1,580,023
Due between 1 to 5 years	2,727,068	1,632,323
Over 5 years	518,236	336,463
Amount of future minimum payments	**5,352,218**	**3,548,810**

The analysis of financial leases contracts, by type of client, is presented as follows:

	2021	2022
Individuals	**622,998**	**403,140**
Home	91,154	83,393
Others	531,844	319,747
Companies	**4,352,254**	**2,695,176**
Equipment	198,954	178,712
Real Estate	4,153,300	2,516,465
	4,975,252	**3,098,317**

Impairment losses

During the year ended 31 December 2021 and 31 December 2022, the movement in the **Group** under the Accumulated impairment losses caption (Note 25) was as follows:

	2021						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	11,245,242	14,707,276	(7,614,585)	(343,835)	(2,967,630)	575,237	15,601,705
	11,245,242	**14,707,276**	**(7,614,585)**	**(343,835)**	**(2,967,630)**	**575,237**	**15,601,705**
Current assets							
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	571,071	15,488,685
	5,419,841	**14,600,735**	**(7,559,425)**	**(341,345)**	**2,797,807**	**571,071**	**15,488,685**
	16,665,083	**29,308,011**	**(15,174,010)**	**(685,180)**	**(169,822)**	**1,146,308**	**31,090,390**

	2022						
	Opening balance	Increases	Reversals	Utilizations	Transfers	Other adjustments	Closing balance
Non-current assets							
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
	15,601,705	**17,177,617**	**(7,208,624)**	**(569,135)**	**(3,063,025)**	**136,426**	**22,074,965**
Current assets							
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
	15,488,685	**25,415,289**	**(10,665,581)**	**(842,068)**	**3,063,025**	**201,852**	**32,661,202**
	31,090,390	**42,592,906**	**(17,874,205)**	**(1,411,203)**	**—**	**338,278**	**54,736,167**

For the years ended 31 December 2021 and 31 December 2022, impairment losses of Credit to banking clients were recorded in the **Group** (net of reversals) amounting to 14,134,001 Euros and 24,718,701 Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

Regarding the movements in impairment losses by stages, in the periods ended on 31 December 2021 and 31 December 2022, they are detailed as follows:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
Increases due to origination and acquisition	3,754,079	2,937,210	2,506,799	9,198,088
Changes due to change in credit risk	(1,623,295)	(369,984)	8,187,354	6,194,075
Decrease due to derecognition repayments and disposals	(407,088)	(154,824)	(696,251)	(1,258,163)
Write-offs	—	—	(685,180)	(685,180)
Transfers to:				
Stage 1	1,011,657	(360,513)	(651,144)	—
Stage 2	(203,586)	1,686,749	(1,483,163)	—
Stage 3	(164,668)	(1,481,613)	1,646,281	—
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,618**	**4,602,577**	**20,014,195**	**31,090,390**
Of which: POCI (Purchase or Originated Credit Impaired)	—	—	*1,462,841*	*1,462,841*

Changes due to changes in exposure or risk parameters verified in the period ended 31 December 2021 are fundamentally due to the entry into force of the new definition of Default by EBA.

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**6,473,619**	**4,602,577**	**20,014,195**	**31,090,391**
Change in period:				
Increases due to origination and acquisition	2,038,514	1,487,610	2,647,941	6,174,065
Changes due to change in credit risk	(2,048,547)	2,295,799	19,878,455	20,125,706
Changes due to modifications without derecognition	—	—	—	—
Decrease due to derecognition repayments and disposals	(642,399)	(236,262)	(702,409)	(1,581,070)
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Changes due to update in the institution's methodology for estimation	—	—	—	—
Transfers to:				
Stage 1	2,334,939	(1,211,886)	(1,123,053)	—
Stage 2	(457,083)	1,877,211	(1,420,128)	—
Stage 3	(197,724)	(1,808,474)	2,006,199	—
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**
Of which: POCI (Purchase or Originated Credit Impaired)	—	—	*926,910*	*926,910*

The reconciliation of accounting movements related to impairment losses is presented below:

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**4,161,745**	**2,224,575**	**10,278,763**	**16,665,083**
Change in period:				
ECL income statement change for the period	1,723,696	2,412,403	9,997,902	14,134,001
Stage transfers (net)	643,403	(155,377)	(488,026)	—
Write-offs	—	—	(685,180)	(685,180)
Foreign exchange and other	(55,226)	120,976	910,736	976,486
Impairment	**6,473,619**	**4,602,577**	**20,014,194**	**31,090,390**

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**6,473,619**	**4,602,577**	**20,014,195**	**31,090,391**
Change in period:				
ECL income statement change for the period	(652,433)	3,547,147	21,823,987	24,718,701
Stage transfers (net)	1,680,131	(1,143,149)	(536,982)	—
Utilizations during the period	—	—	—	—
Write-offs	(291)	—	(1,410,913)	(1,411,203)
Foreign exchange and other	11,616	(51,566)	378,228	338,278
Impairment	**7,512,642**	**6,955,009**	**40,268,516**	**54,736,167**

Sensitivity Analysis

Given the high uncertainty of macroeconomic projections and considering that deviations from the presented scenarios may have an impact on the value of estimated expected losses, sensitivity analyzes were carried out on the distribution of the portfolio by stage and the respective impact on impairment.

The **Group** considers that the most sensitive parameters assumed, as they are based on benchmarks, dependent on methodological options or because they are more susceptible to changes in the economic cycle, are the Probability of Default (PD) for most portfolios and the Loss Given Default (LGD) for the credit card case.

In this context, a sensitivity analysis was carried out to determine what would be the impairment of the global portfolio if those parameters suffered a relative deterioration of 10%, conclude that the increase in impairment would be 5,274 thousand euros, corresponding to about 9.6%.

21. Prepayments

As at 31 December 2021 and 31 December 2022, the Prepayments included in current assets and current and non-current liabilities of the **Group** and the **Company** showed the following composition:

	Group		Company	
	2021	2022	2021	2022
Prepaid Assets				
Current				
Rents payable	1,469,876	861,806	1,050,126	535,949
Meal allowances	1,402,305	1,360,349	1,402,305	1,360,349
Other	5,853,753	6,789,720	2,311,707	2,450,055
	8,725,934	**9,011,875**	**4,764,138**	**4,346,353**
Prepaid Liabilities				
Non-current				
Investment subsidy	272,087	260,886	272,088	260,885
	272,087	**260,886**	**272,088**	**260,885**
Current				
Investment subsidy	11,201	11,201	11,201	11,201
Contratual liabilities	1,360,862	1,165,324	968,728	877,484
Other	2,080,177	2,501,615	1,540,716	2,182,957
	3,452,240	**3,678,140**	**2,520,645**	**3,071,642**
	3,724,327	**3,939,027**	**2,792,733**	**3,332,527**

The change in the caption “Other prepayments assets” essentially results from the costs of setting up the Ulisses 2 and Ulisses 3 securitization operations.

The caption “Contractual liabilities” results from the application of IFRS 15 - Revenue from Contracts with Customers and stands for the amount already invoiced, but not yet recognized as revenue because the performance obligations have not yet been met as recommended by the standard.

The “Contractual liabilities” recognized by the **Group** essentially refer to amounts related to stamps and prepaid postage of priority mail in the amount of 877,484 Euros (968,728 Euros on 31 December 2021), whose revenue is expected to be recognized in January 2023 (estimate of 80% of the item's value) and the remaining during 2023, and to objects invoiced and not delivered on 31 December 2022 in the express segment, in the amount of 287,840 Euros (392,133 Euros as of 31 December 2021), whose revenue is recognized upon delivery in the following month.

The revenue recognized by the **Group** and **Company** in the period, included in the balance of Contractual liabilities at the beginning of the period amounted to 1,360,862 Euros and 968,728 Euros, respectively.

No “Assets resulting from contracts” associated with the application of IFRS 15 - Revenue from contracts with customers were recognized.

22. Non-current assets held for sale and Discontinued operations

As at 31 December 2021 and 31 December 2022, the amounts recorded under this caption, in the **Group,** are detailed as follows:

	31.12.2021	31.12.2022
Non-current assets held for sale		
Real estate	769,400	—
Equipment	838	838
	770,238	**838**
Impairment	(164,441)	(638)
	605,798	**200**

The variation in the caption "Non-current assets held for sale" is explained by the disposal of properties in the amount of 602 thousand euros, classified in the previous year as non-current assets held for sale, having been recognized under "Gains/losses on disposal/remeasurement of assets" the value of 134 thousand Euros as capital loss.

As determined in IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations the associated depreciations of the assets referred above have ceased in the moment of transfer to Non-Current Assets Held for Sale.

Impairment losses

During the years ended at 31 December 2021 and 31 December 2022, the movement in impairment losses in the Group recognized under the caption "Depreciation / amortization and impairment of investments (losses / reversals)" (Note 47) was as follows::

	2021			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	282,778	14,234	(132,572)	164,441
	282,778	**14,234**	**(132,572)**	**164,441**

	2022			
	Opening balance	Increases	Reversals	Closing balance
Current assets				
Non-current assets held for sale	164,441	8,236	(172,038)	638
	164,441	**8,236**	**(172,038)**	**638**

As at 31 December 2021 and 31 December 2022, there were no operations classified as discontinued operations.

23. Cash and cash equivalents

As at 31 December 2021 and 31 December 2022, cash and cash equivalents correspond to the value of cash, sight deposits, term deposits and cash investments on the monetary market, net of bank overdrafts and equivalent short-term bank financing, and is detailed as follows:

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Cash	95,963,001	71,794,674	67,613,593	46,248,572
Slight deposits	86,975,064	160,127,945	55,894,035	159,244,898
Demand deposits at Bank of Portugal	593,160,283	38,636,396	—	—
Deposits in other credit institutions	34,251,584	59,140,984	—	—
Term deposits	67,522,764	126,769,299	66,286,478	124,606,988
Cash and cash equivalents (Balance sheet)	**877,872,696**	**456,469,298**	**189,794,106**	**330,100,458**
Sight deposits at Bank of Portugal	(19,937,800)	(23,185,900)	—	—
Outstanding checks / Checks clearing	(1,002,263)	(22,492,340)	—	—
Impairment of slight and term deposits	24,913	7,917	24,501	7,699
Cash and cash equivalents (Cash flow statement)	**856,957,546**	**410,798,975**	**189,818,607**	**330,108,157**

The caption “Sight deposits at Bank of Portugal” includes mandatory deposits in order to meet the legal requirements to maintain a minimum cash reserve in accordance with the provisions of Regulation (EU) No. 1358/2011 of European Central Bank of 14 December 2011, which states that the minimum cash requirements kept as demand deposits at Bank of Portugal amounts to 1% of the average amount of deposits and other liabilities, over each reserve maintenance period. As at 31 de dezembro de 2022,, the daily average of the minimum mandatory availability for the period in force was 23,185,900 Euros.

Therefore, the item Demand deposits at Bank of Portugal includes, as at 31 de dezembro de 2022, a total amount of demand deposits of 38,636,396 Euros (31 December 2021: 593,160,283 Euros), of which 23,185,900 Euros (31 December 2021: 19,937,800 Euros) were allocated to the fulfilment of the above mentioned mandatory minimum cash requirements at Bank of Portugal. The decrease compared to the previous period concerns the setting up of overnight operations at the Bank of Portugal, which is recorded under the heading of other banking financial assets (Note 16).

As of the reserve counting period that began on 30 October 2019, the ECB introduced the tiering regime, which exempted part of the excess reserves deposited by credit institutions with the central bank from the negative remuneration then associated with the deposit facility rate. The tiering ceased to apply on 27 July 2022, following the European Central Bank Governing Council's decision to increase the deposit facility rate to a non-negative amount.

Within the scope of the tiering system, all credit institutions subject to the minimum reserve system have an excess reserve limit which is effectively remunerated at a rate of 0%. This limit is based on a multiple applied to the amount of the minimum reserves to be met, adopted by decision of the ECB Governing Council, and subject to change by it.

The tiering system came into effect with a multiple of six. At its meeting on 8 September 2022, the Governing Council decided to suspend this system, setting the multiplier to zero.

The caption “Outstanding checks/ Checks clearing” represents checks drawn by third parties on other credit institutions, which are in collection.

In 2022, the **Group'**s Cash-flows decrease 446,158,570 Euros. The main changes in the **Group'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The caption "Banking customers deposits", from operating activities, amounts to 123,738,597 Euros (2021: 433,108,515 Euros). The decrease is mainly explained by a lower deposit taking compared to 2021.

- The caption "credit to banking clients" from operating activities amounts to (242,912,761) Euros (2021: (448,171,549) Euros). The decrease is explained by a lower volume of credit granted in 2022, explained, above all, by the start of Universo partnership in 2021, which resulted in a higher amount of credit in that period.

- The caption "Other receivables/payments" from operating activities amounts to 249,493,641 Euros, compared to 40,599,751 Euros in 2021, is mainly explained by the relevant increase in subscriptions of the product savings certificates, as explained in note 34.

- The caption "Receivables from other banking financial assets", from investment activities, presented an amount of 38,299,746,181 Euros (31 December 2021: 26,895,000 Euros), suffering a strong increase compared to the same period of the previous year. Likewise, the item "Payments of other bank financial assets" presented an amount of (38,746,121,181) Euros (31 December 2021: (1,750,000) Euros). The change compared to the same period of the two captions is essentially explained by the fact that Banco CTT, in September, started making overnight investments with the Bank of Portugal.

- The caption "investments in securities at amortized cost", from investment activities, amounts to (661,922,859) Euros (2021: (262,409,425) Euros). The variation is mainly explained by investment in Portuguese, Spanish, Italian and French debt securities.

In 2022, the **Company'** Cash-flows decrease 80,690,819 Euros. The main changes in the **Company'**s cash flow statement captions that contribute to the global change, are explained as follows:

- The caption "Other receivables/ Payments", from operational activity, mainly books the amounts paid as payment orders, vouchers issued in stores, subscription and settlement of saving/ treasury certificates and related payments to IGCP, tax collections, foreign postal operators' payments and receivables, among others. This caption recorded in 2022 the amount of 166,974,469 Euros (2021: (45,828,328) Euros), the change being mainly explained by the relevant increase in subscriptions to the product savings certificates, as explained in note 34.

- "Payments relating to loans granted" amounted to (2,442,000) Euros, compared to (22,600,000) Euros in 2021. The variation is mainly explained by the fact that CTT Express (Spain) and CTT Soluções Empresariais decreased the funding requests to the **Company**.

- The change in the caption "Acquisition of own shares", from financing activities, refers to the "Shares buyback program", explained in detail in note 27.

Impairment

In the period ended 31 December 2021 and 31 December 2022, the movement recorded under the caption "Impairment of sight and term deposits" (Note 25) related to the **Group** is detail as follows:

	2021				
Group	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	17,510	11,433	(4,028)	—	24,913
	17,510	**11,433**	**(4,028)**	**—**	**24,913**

	2022				
Group	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	24,913	1,715	(18,711)	—	7,917
	24,913	**1,715**	**(18,711)**	**—**	**7,917**

For the year ended 31 December 2021 and 31 December 2022 impairment losses (increases net of reversals) of sight and term deposits amounted to 7,405 Euros and (16,996) Euros, respectively, and were booked under the caption Impairment of accounts receivable, net (Note 46).

Regarding the **Company,** in the period ended 31 December 2021 and 31 December 2022, the movement recorded under the caption "Impairment of sight and term deposits" (Note 25) related to the **Company** is detail as follows:

	2021				
Company	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	16,813	11,354	(3,666)	—	24,501
	16,813	**11,354**	**(3,666)**	**—**	**24,501**

	2022				
Company	Opening balance	Increases	Reversals	Utilizations	Closing balance
Sight and term deposits	24,501	1,696	(18,499)	—	7,699
	24,501	**1,696**	**(18,499)**	**—**	**7,699**

For the year ended 31 December 2021 and 31 December 2022 impairment losses (increases net of reversals) of sight and term deposits amounted to 7,688 Euros and (16,803) Euros, respectively, and were booked under the heading Impairment of accounts receivable, net (Note 46).

24. Other non-current and current assets

As at 31 December 2021 and 31 December 2022, the headings Other non-current assets and Other current assets of the **Group** and the **Company** had the following composition:

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Non-current				
Advances to staff	368,245	1,944	368,245	1,944
Other receivables from staff	2,766,582	2,497,656	2,766,582	2,497,656
Labour compensation fund	932,450	1,143,305	449,467	561,897
Other non-current assets	453,869	441,590	309,007	309,007
Impairment	(2,749,010)	(2,906,847)	(2,749,010)	(2,906,847)
	1,772,136	**1,177,648**	**1,144,290**	**463,657**
Current				
Advances to suppliers	253,848	256,410	253,848	256,410
Advances to staff	3,688,664	4,122,243	3,570,781	4,007,526
Postal financial services	10,863,754	1,717,260	10,863,754	1,717,259
State and other public entities	12,662,205	5,362,367	420,738	—
Debtors by accrued revenues	10,549,374	8,713,153	5,775,111	5,505,466
Amounts collected on CTT behalf	542,134	567,598	203,865	170,665
Guaranteed	863,053	1,108,469	—	—
Advances to lawyers	46,909	42,716	—	—
Debtors by asset disposals	42,974	29,534	42,974	29,534
Payshop agents	275,015	262,156	—	—
Mobility allowances for Autonomous Regions	20,447,351	6,647,062	20,447,351	6,647,062
Office for media	1,149,984	540,679	1,149,984	540,679
Sundry debtors	214,934	200,143	214,934	200,143
Collections	1,691,204	15,029,996	399,236	10,418,895
Deposits	759,282	27,234,053	230,221	251,430
Customs	1,800,479	2,437,022	1,800,479	2,437,022
Non-core billing	1,860,245	1,193,245	1,415,038	735,345
Billing to partners	1,053,098	1,366,601	—	—
Other current assets	10,409,739	11,199,512	9,820,127	10,554,442
Impairment	(10,325,864)	(11,547,796)	(9,243,301)	(10,371,352)
	68,848,382	**76,482,423**	**47,365,141**	**33,100,526**

The amounts recorded under the caption “Postal financial services” refer to amounts receivable relating to redemptions of savings products, insurance sales and settlement of postal orders, with an average age of less than 180 days.

In 2022, with the implementation of a centralized collection settlement project, under which the settlement process for objects sent with the counter-reimbursement service began to be carried out centrally, the amounts associated with the settlement of objects previously recorded under this caption is now recorded under the heading “Collections”, which justifies the increase in that caption and the decrease in the heading “Postal Financial Services”.

<u>Deposits</u>

The increase in the caption "”Deposits” in the current year essentially concerns to a cash account with a Financial Institution, with a captive amount of 26,040 thousand euros (margin call) related to Banco CTT's derivative contracts.

Mobility allowances for Autonomous Regions

The Caption Mobility allowances for Autonomous Regions refers to the amounts paid to residents of the Autonomous Regions of Madeira and Azores on trips between the Mainland and the Autonomous Regions or between the Autonomous Regions, reimbursed by the Direção Geral do Tesouro e Finanças (Treasury and Finance General Department - "DGTF") within 2 months. The accumulated amount of the balance on 31 December 2021, resulted mostly from the delay in the publication of the legal provision that would authorize the payment of trips that benefited from this subsidy mechanism, in the Autonomous Region of Madeira. With the publication of this diploma in March 2022, this debt was settled with CTT, and the amount at the end of 2022 in line with the average levels of previous years

The caption "Other current assets" is mainly constituted for several debt balances of high age, for which were created the related impairment losses in previous years.

Debtors by accrued revenues

As at 31 December 2021 and 31 December 2022, the debtors by accrued revenues refer to amounts not invoiced namely regarding postal financial services, philatelic products, philatelic agents and other amounts, which present an average ageing lower than one year.

Impairment

For the years ended 31 December 2021 and 31 December 2022, the movement in the **Group** Accumulated impairment losses (Note 25) was as follows:

	2021				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Other current and non-current assets	12,591,535	995,992	(267,494)	(245,159)	13,074,874
	12,591,535	**995,992**	**(267,494)**	**(245,159)**	**13,074,874**

	2022				
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Other current and non-current assets	13,074,874	1,796,674	(303,789)	(113,117)	14,454,642
	13,074,874	**1,796,674**	**(303,789)**	**(113,117)**	**14,454,642**

For the years ended 31 December 2021 and 31 December 2022, impairment losses (increases net of reversals) of Other current and non-current assets amounted to 728,498 Euros and 1,492,885 Euros, respectively, were booked under the heading Impairment of accounts receivable, net (Note 46).

Regarding the **Company,** during the years ended 31 December 2021 and 31 December 2022 the movement in the Accumulated impairment losses caption (Note 25) was as follows:

	2021				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Other current and non-current assets	11,507,008	899,656	(226,980)	(187,374)	11,992,311
	11,507,008	**899,656**	**(226,980)**	**(187,374)**	**11,992,311**

	2022				
Company	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Closing balance**
Other current and non-current assets	11,992,311	1,686,929	(299,880)	(101,161)	13,278,199
	11,992,311	**1,686,929**	**(299,880)**	**(101,161)**	**13,278,199**

For the years ended 31 December 2021 and 31 December 2022, impairment losses of Other current and non-current assets were recorded in the **Company** (net of reversals) amounting to 672,676 Euros and 1,387,049 Euros, respectively in the caption Impairment of accounts receivable, net (Note 46).

25. Accumulated impairment losses

During the years ended 31 December 2021 and 31 December 2022, the following movements occurred in the **Group**'s impairment losses:

	2021							
Group	Opening balance	Increases	Reversals	Utilizations	Transfers	Changes in the consolidation perimeter	Other movements	Closing balance
Non-current assets								
Tangible fixed assets	19,460	—	—	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	—	—	392,936
Intangible assets	—	60,617	—	—	—	—	—	60,617
	469,768	**60,617**	**(57,372)**	**—**	**—**	**—**	**—**	**473,013**
Debt securities at fair value through other comprehensive income	5,918	—	(5,019)	—	1,673	—	—	2,572
Debt securities at amortised cost	175,485	32,617	(89,741)	—	(6,410)	—	—	111,953
Other non-current assets	2,538,985	—	—	—	210,025	—	—	2,749,010
Credit to banking clients	11,245,241	14,707,276	(7,614,585)	(343,835)	(2,967,630)	—	575,237	15,601,705
Other banking financial assets	3,712	555	(10,964)	—	8,406	—	—	1,709
	13,969,341	**14,740,448**	**(7,720,309)**	**(343,835)**	**(2,753,935)**	**—**	**575,237**	**18,466,949**
	14,439,109	**14,801,065**	**(7,777,681)**	**(343,835)**	**(2,753,935)**	**—**	**575,237**	**18,939,962**
Current assets								
Accounts receivable	39,633,843	4,209,818	(2,588,327)	(1,423,383)	—	51,648	—	39,883,599
Credit to banking clients	5,419,841	14,600,735	(7,559,425)	(341,345)	2,797,807	—	571,071	15,488,685
Debt securities at fair value through other comprehensive income	3,511	—	(1,215)	—	(1,673)	—	—	623
Debt securities at amortised cost	6,505	2,492	(6,855)	—	6,410	—	—	8,551
Other current assets	10,052,551	995,992	(267,494)	(245,159)	(210,024)	—	—	10,325,865
Other banking financial assets	3,262,951	30,981	(36,623)	(1,446,399)	(8,406)	—	—	1,802,504
Slight and term deposits	17,510	11,433	(4,028)	—	—	—	—	24,913
	58,396,711	**19,851,451**	**(10,463,967)**	**(3,456,286)**	**2,584,113**	**51,648**	**571,071**	**67,534,740**
Non-current assets held for sale	282,778	14,234	(132,572)	—	—	—	—	164,441
	282,778	**14,234**	**(132,572)**	**—**	**—**	**—**	**—**	**164,441**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	—	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	—	—	867,668
	3,372,417	**808,331**	**(9,072)**	**(172,602)**	**—**	**—**	**—**	**3,999,073**
	62,051,906	**20,674,015**	**(10,605,611)**	**(3,628,888)**	**2,584,113**	**51,648**	**571,071**	**71,698,254**
	76,491,016	**35,475,081**	**(18,383,292)**	**(3,972,723)**	**(169,822)**	**51,648**	**1,146,308**	**90,638,217**

In April 2021, Banco CTT and Sonae Financial Services started a new partnership in consumer credit through the financing of Universo card credit and the respective management of exposure to credit risk. As at 31 December 2021, the credit card portfolio had a value of 298,716,076 Euros and an increase in impairment of 6,617,578 Euros, which justifies the increase in impairment increases in 2021.

Group	2022 Opening balance	Increases	Reversals	Utilizations	Transfers	Other movements	Closing balance
Non-current assets							
Tangible fixed assets	19,460	3,636,002	(3,335)	—	—	—	3,652,127
Investment properties	392,936	—	(139,754)	—	—	—	253,182
Intangible assets	60,617	—	—	(60,617)	—	—	—
	473,013	**3,636,002**	**(143,089)**	**(60,617)**	**—**	**—**	**3,905,309**
Debt securities at fair value through other comprehensive income	2,572	—	(2,572)	—	—	—	—
Debt securities at amortised cost	111,953	39,065	(28,784)	—	(307)	—	121,927
Other non-current assets	2,749,010	—	—	—	157,837	—	2,906,847
Credit to banking clients	15,601,705	17,177,617	(7,208,624)	(569,135)	(3,063,025)	136,426	22,074,965
Other banking financial assets	1,709	140	(508)	—	(1,067)	—	274
	18,466,949	**17,216,822**	**(7,240,487)**	**(569,135)**	**(2,906,562)**	**136,426**	**25,104,013**
	18,939,963	**20,852,823**	**(7,383,576)**	**(629,752)**	**(2,906,562)**	**136,426**	**29,009,322**
Current assets							
Accounts receivable	39,883,599	3,835,005	(1,641,407)	(669,845)	—	1,695	41,409,047
Credit to banking clients	15,488,685	25,415,289	(10,665,581)	(842,068)	3,063,025	201,852	32,661,202
Debt securities at fair value through other comprehensive income	623	—	(623)	—	—	—	—
Debt securities at amortised cost	8,551	3,100	(2,284)	—	307	—	9,674
Other current assets	10,325,865	1,796,674	(303,789)	(113,117)	(157,837)	—	11,547,796
Other banking financial assets	1,802,503	52,995	(7,129)	(42,097)	1,067	—	1,807,339
Slight and term deposits	24,913	1,715	(18,711)	—	—	—	7,917
	67,534,741	**31,104,778**	**(12,639,523)**	**(1,667,127)**	**2,906,562**	**203,547**	**87,442,978**
Non-current assets held for sale	164,441	8,236	(172,038)	—	—	—	638
	164,441	**8,236**	**(172,038)**	**—**	**—**	**—**	**638**
Merchandise	3,131,405	—	(211,906)	(172,098)	—	—	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	—	—	922,313
	3,999,073	**68,233**	**(225,494)**	**(172,098)**	**—**	**—**	**3,669,714**
	71,698,254	**31,181,246**	**(13,037,055)**	**(1,839,225)**	**2,906,562**	**203,547**	**91,113,329**
	90,638,215	**52,034,070**	**(20,420,631)**	**(2,468,977)**	**—**	**339,973**	**120,122,649**

The amounts classified as “Other movements”, with reference to 31 December 2021 and 31 December 2022, refer to the movements resulting from adjustments to POCI credits (Purchase or Originated Credit Impaired) regarding the acquisition of 321 Crédito on 1 May 2019, according to IFRS 3 - Business Combinations.

As at 31 December 2022, the increase in impairment on “Credit to banking clients” essentially concerns the increase in credit exposure by 259 million euros.

Regarding the **Company,** during the years ended 31 December 2021 and 31 December 2022, the movement in the Accumulated impairment losses was as follows:

	2021					
Company	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Tangible fixed assets	19,460	—	—	—	—	19,460
Investment properties	450,308	—	(57,372)	—	—	392,936
	469,768	**—**	**(57,372)**	**—**	**—**	**412,396**
Other non-current assets	2,538,985	—	—	—	210,025	2,749,010
	2,538,985	**—**	**—**	**—**	**210,025**	**2,749,010**
	3,008,753	**—**	**(57,372)**	**—**	**210,025**	**3,161,406**
Current assets						
Accounts receivable	4,427,512	521,584	(200,000)	(687,653)	—	4,061,443
Other current assets	8,968,024	899,656	(226,980)	(187,374)	(210,025)	9,243,301
Slight and term deposits	16,813	11,354	(3,666)	—	—	24,501
	13,412,349	**1,432,594**	**(430,646)**	**(875,027)**	**(210,025)**	**13,329,245**
Merchandise	2,525,086	680,033	(743)	(72,971)	—	3,131,405
Raw, subsidiary and consumable	847,331	128,297	(8,329)	(99,631)	—	867,668
	3,372,417	**808,330**	**(9,072)**	**(172,602)**	**—**	**3,999,073**
	16,784,766	**2,240,924**	**(439,718)**	**(1,047,629)**	**(210,025)**	**17,328,318**
	19,793,519	**2,240,924**	**(497,090)**	**(1,047,629)**	**—**	**20,489,724**

	2022					
Company	Opening balance	Increases	Reversals	Utilizations	Transfers	Closing balance
Non-current assets						
Tangible fixed assets	19,460	3,636,002	(3,335)	—	—	3,652,127
Investment properties	392,936	—	(139,754)	—	—	253,182
	412,396	**3,636,002**	**(143,089)**	**—**	**—**	**3,905,309**
Other non-current assets	2,749,010	—	—	—	157,837	2,906,847
	2,749,010	**—**	**—**	**—**	**157,837**	**2,906,847**
	3,161,406	**3,636,002**	**(143,089)**	**—**	**157,837**	**6,812,156**
Current assets						
Accounts receivable	4,061,443	984,939	(1,267,331)	(130,231)	—	3,648,820
Other current assets	9,243,301	1,686,929	(299,880)	(101,161)	(157,837)	10,371,352
Slight and term deposits	24,501	1,696	(18,499)	—	—	7,699
	13,329,245	**2,673,565**	**(1,585,709)**	**(231,392)**	**(157,837)**	**14,027,871**
Merchandise	3,131,405		(211,906)	(172,098)	—	2,747,401
Raw, subsidiary and consumable	867,668	68,233	(13,587)	—	—	922,314
	3,999,073	**68,233**	**(225,494)**	**(172,098)**	**—**	**3,669,714**
	17,328,318	**2,741,797**	**(1,811,203)**	**(403,490)**	**(157,837)**	**17,697,585**
	20,489,724	**6,377,799**	**(1,954,292)**	**(403,490)**	**—**	**24,509,741**

26. Equity

As at 31 December 2021, the **Company** share capital was composed of 150,000,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

On 16 March 2022, the implementation of a share buyback program was approved, with the sole purpose of reducing the Company's share capital, through the extinction of the acquired shares. The implementation of this program is explained in detail in note 27.

Subsequently, on 7 November 2022, the Company's share capital reduction in the amount of 2,325,000 euros, through the cancellation of 4,650,000 shares representing 3.1% of the share capital, was registered in the Commercial Register Office. Thus, on 31 December 2022, the Company's share capital was composed of 145,350,000 shares with the nominal value of 0.50 Euros each. The share capital is fully underwritten and paid-up.

The information related to the shareholders with shareholdings equal to or greater than 2% can be found in chapter 5.2.1.2. section 7 of the Integrated Report.

27. Own shares, Reserves, Other changes in equity and Retained earnings

Own shares

As of 31 December 2021, the following movements were made in the **Group** caption “Own Shares”:

	Quantity	Amount	Average Price
Balance 31 December 2020	1	8	8.49
Acquisitions	1,500,000	6,404,954	4.27
Balance 31 December 2021	**1,500,001**	**6,404,963**	**4.27**

As of 31 December 2022, the following movements were made in the **Group** caption “Own Shares”:

	Quantity	Amount	Average Price
Balance 31 December 2021	1,500,001	6,404,963	4.27
Acquisitions	6,084,999	21,573,976	3.55
Cancellation (due to share capital reduction)	(4,650,000)	(17,152,548)	**3.69**
Balance 31 December 2022	**2,935,000**	**10,826,390**	**3.69**

At the meeting of the Company's Board of Directors held on 16 March 2022, and as communicated to the market on the same date, it was unanimously decided to approve the implementation of a Buy-back programme for the Company's own shares, including the related terms and conditions, with the sole purpose of reducing the related share capital through the cancellation of shares acquired under the aforementioned programme, subject to prior approval by the General Meeting.

Thus, at the General Meeting held on 21 April 2022, the share capital reduction of up to 2,325,000 Euros was approved, with the purpose of releasing the excess of share capital, through the extinction of up to 4,650,000 shares representing up to 3.1% of the share capital already acquired or that were to be acquired within the scope of a share buyback program. The maximum monetary amount of the approved Buyback Program was 18,000,000 Euros.

Subsequently, on 27 July 2022, and still within the scope of the authorization granted at the Annual General Meeting of Shareholders held on 21 April 2022, the Company’s Board of Directors deliberated to increase the maximum pecuniary amount and number of shares that could be acquired under the share buyback program of the **Company**, as follows:

- Maximum pecuniary amount of the Buy-back Programme: it is increased by 3,600,000 Euros, now being up to 21,600,000 Euros;

- Maximum number of shares to be acquired under the Buy-back Programme: it is increased by 1,900,000 shares, being now up to 6,550,000 CTT’s shares, representing up to 4.37% of the respective share capital.

The other terms and conditions of the Buy-back Program approved by the Board of Directors and the Annual General Meeting held in 2022 and communicated on 16 March 2022 remained unchanged.

The Buyback Program started on 17 March 2022 and would last until 18 December 2022 unless, however, the maximum number of shares to be acquired or the maximum pecuniary amount of the Buyback Program were reached, which happened to 8 September 2022, thus ending before the end of its maximum duration period.

Considering the resolution of the General Meeting of 21 April 2022 which authorized the reduction of the share capital, and the acquisition of own shares having been fulfilled for this purpose, the commercial register was registered, on 7 November 2022, reduction of the **Company**'s share capital in the amount of 2,325,000 euros, through the extinction of 4,650,000 own shares, as explained in note 26.

As of 31 December 2022, the **Company** held, as a result of the acquisition and cancellation operations indicated herein, an accumulated amount of 2,935,000 own shares, representing 2.02% of the share capital, including 1,500,001 of own shares previously acquired, with par value of 0.50 Euros, with all inherent rights related to suspended shares, with the exception of those relating to the receipt of new shares in the case of capital increase by incorporation of reserves, as provided for in article 324(1)(a)) of the Commercial Companies Code.

Considering that Company's Annual General Meeting approved held in 2022 only approved the cancellation of up to 4,650,000 own shares corresponding to 3.1% of share capital, it is planned to submit a proposal to the next General Meeting to be held, predictably on 20 April 2023, according to the financial calendar, for approval of the capital reduction to cancel the remaining 1,434,999 shares acquired under the buyback program, as mentioned above.

Own shares held by CTT are within the limits established by the Articles of Association of the Company and by the Portuguese Companies Code. These shares are recorded at acquisition cost.

<u>Reserves</u>

As at 31 December 2021 and 31 December 2022, the **Group'**s and **Company'**s heading Reserves showed the following composition:

	2021								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	8	83,330	50,836,597	65,919,935	15,000,000	8	50,836,597	65,836,605
Own shares acquisition	—	6,404,954	—	(6,404,954)	—	—	6,404,954	(6,404,954)	—
Assets fair value	—	—	(56,584)	—	(56,584)	—	—	—	—
Share Plan	—	—	—	1,215,000	1,215,000	—	—	1,215,000	1,215,000
Closing balance	**15,000,000**	**6,404,963**	**26,746**	**45,646,642**	**67,078,351**	**15,000,000**	**6,404,963**	**45,646,643**	**67,051,605**

	2022								
	Group					Company			
	Legal reserves	Own shares reserves	Fair Value reserves	Other reserves	Total	Legal reserves	Own shares reserves	Other reserves	Total
Opening balance	15,000,000	6,404,963	26,746	45,646,642	67,078,351	15,000,000	6,404,963	45,646,643	67,051,605
Share Capital decrease	—	(17,152,548)	—	2,325,000	(14,827,548)	—	(17,152,548)	2,325,000	(14,827,548)
Own shares acquisition	—	21,573,976	—	(21,573,976)	—	—	21,573,976	(21,573,976)	—
Assets fair value	—	—	(26,746)	—	(26,746)	—	—	—	—
Share Plan	—	—	—	1,620,000	1,620,000	—	—	1,620,000	1,620,000
Closing balance	**15,000,000**	**10,826,390**	**—**	**28,017,666**	**53,844,057**	**15,000,000**	**10,826,391**	**28,017,666**	**53,844,057**

Legal reserves

The commercial legislation establishes that at least 5% of the annual net profit must be allocated to reinforce the legal reserve, until it represents at least 20% of the share capital. This reserve is not distributable except in the event of the liquidation of the **Company** but may be used to absorb losses after all the other reserves have been depleted or incorporated in the share capital.

Own shares reserve (CTT, S.A.)

The commercial legislation Code obliges, within the scope of the own shares regime provided in article 324, the existence of a reserve equal to the amount for which the shares are accounted for, which becomes unavailable as long as these shares remain in the company's possession. Additionally, applicable accounting standards determine that gains or losses on the sale of own shares are booked in reserves.

As at 31 December 2022, this caption includes the amount of 10,826,390 Euros related to the creation of an unavailable reserve for the same amount of the acquisition price of the own shares held.

Other reserves

This caption records the profits transferred to reserves that are not imposed by the law or articles of association, nor constituted pursuant to contracts signed by the **Company.**

In the period ended 31 December 2022, a reserve in the total amount of 1,620,000 Euros was recorded related with the stock option plan, as described in the note 45 – Staff Costs.

Retained earnings

During the years ended 31 December 2021 and 31 December 2022, the following movements were made in the **Group** and the **Company** caption Retained earnings:

	Group		Company	
	2021	2022	2021	2022
Opening balance	39,962,419	43,904,074	39,900,355	43,926,574
Application of the net profit of the prior year	16,669,309	38,404,113	16,720,995	37,680,272
Distribution of dividends (note 28)	(12,750,000)	(17,656,441)	(12,750,000)	(17,656,441)
Adjustments from the application of the equity method	22,346	(4,678)	55,224	502,214
Closing balance	**43,904,074**	**64,647,067**	**43,926,574**	**64,452,619**

Other changes in equity

The actuarial gains/losses associated to post-employment benefits, as well as the corresponding deferred taxes, are recognized in this caption (Note 32).

Thus, for the years ended 31 December 2021 and 31 December 2022, the movements occurred in this heading in the **Group** and in the **Company** were as follows:

	Group		Company	
	2021	2022	2021	2022
Opening balance	(47,600,236)	(43,998,612)	(47,454,842)	(43,942,681)
Actuarial gains/losses (Note 32)	4,999,158	70,558,124	4,878,001	69,891,919
Tax effect (Note 52)	(1,397,534)	(19,702,304)	(1,365,840)	(19,569,738)
Closing balance	**(43,998,612)**	**6,857,207**	**(43,942,681)**	**6,379,500**

28. Dividends

According to the dividend distribution proposal included in the 2020 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2021, a dividend distribution of 12,750,00 Euros, corresponding to a dividend per share of 0.085 Euros, regarding the financial year ended 31 December 2020 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 0.085 Euros.

According to the dividend distribution proposal included in the 2021 Annual Report, at the General Meeting of Shareholders, which was held on 21 April 2022, a dividend distribution of 17,820,000 Euros, corresponding to a dividend per share of 0.12 Euros (amount that excludes the dividend attributable to own shares in the portfolio at that date), regarding the financial year ended 31 December 2021 was proposed and approved. The dividend amount assigned to own shares was transferred to Retained earnings, amounting to 343,559 Euros.

29. Earnings per share

During the years ended 31 December 2021 and 31 December 2022, the earnings per share for the **Group** and the **Company** were calculated as follows:

Group	2021	2022
Net income for the period	38,404,113	36,406,519
Average number of ordinary shares	149,144,996	147,179,218
Earnings per share		
Basic	0.26	0.25
Diluted	0.26	0.25

Company	2021	2022
Net income for the period	37,680,272	37,307,258
Average number of ordinary shares	149,144,996	147,179,218
Earnings per share		
Basic	0.25	0.25
Diluted	0.25	0.25

The average number of shares is detailed as follows:

	2021	2022
Shares issued at begining of the period	150,000,000	150,000,000
Effect of shares' extinction during the period	—	(350,342)
Average number of shares realized	150,000,000	149,649,658
Own shares effect	855,004	2,470,440
Average number of shares during the period	149,144,996	147,179,218

The basic earnings per share are calculated dividing the net profit attributable to equity holders of the parent company by the average ordinary shares, excluding the average number of own shares held by the **Group**.

As at 31 December 2022, the number of own shares held is 2,935,000 and its average number for the year ended 31 December 2022 is 2,470,440, reflecting the fact that there were not only acquisitions, but also the extinction of own shares in the period, as mentioned in note 27.

There are no dilutive factors of earnings per share.

30. Non-controlling interests

During the years ended 31 December 2021 and 31 December 2022, the following movements occurred in non-controlling interests:

	2021	2022
Opening balance	323,675	563,106
Net profit for the year attributable to non-controlling interest	187,190	(64,334)
Dividends distribution	—	(80,017)
Acquistions	34,000	—
Share capital increase	—	865,574
Other movements	18,242	41,687
Closing balance	**563,106**	**1,326,016**

As 31 December 2022, non-controlling interests are related to Correio Expresso de Moçambique, S.A. and Open Lockers, S.A.. As at 31 December 2022, the item “share capital increases” refers to a share capital increase in “Open Lockers”, in the part related to the minority shareholder

31. Debt

As at 31 December 2021 and 31 December 2022, Debt of the **Group** and the **Company** showed the following composition:

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Non-current liabilities				
Bank loans	62,161,852	40,706,101	61,060,926	39,927,397
Lease liabilities	87,174,586	95,491,822	51,653,957	45,331,771
	149,336,438	**136,197,923**	**112,714,883**	**85,259,168**
Current liabilities				
Bank loans	22,169,000	29,372,066	13,987,917	21,265,947
Confirming	1,500,152	—	—	—
Lease liabilities	28,113,860	30,384,677	20,954,476	21,682,343
	51,783,012	**59,756,744**	**34,942,393**	**42,948,290**
	201,119,450	**195,954,667**	**147,657,276**	**128,207,458**

As at 31 December 2022, the interest rates applied to bank loans were between 3.693% and 4.568% (31 December 2021: 1.00% and 1.875%).

<u>Bank loans</u>

As at 31 December 2021 and 31 December 2022, the details of the **Group** and **Company** bank loans were as follows:

Group	31.12.2021			31.12.2022		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	12,673,148	8,054,480	1,100,926	12,350,926	8,106,120	778,704
BBVA / Bankinter	40,375,000	6,958,272	33,121,646	33,250,000	14,136,880	18,944,129
Novo Banco	35,000,000	7,029,645	27,939,280	28,000,000	7,129,066	20,983,268
Caixa Geral de Depósitos	126,470	126,603	—	—	—	—
Banco Montepio	25,000,000	—	—	—	—	—
Bankinter Confirming	2,200,000	1,500,152	—	—	—	—
	115,374,618	**23,669,152**	**62,161,852**	**73,600,926**	**29,372,066**	**40,706,101**

Company	31.12.2021			31.12.2022		
	Limit	Amount used		Limit	Amount used	
		Current	Non-current		Current	Non-current
Bank loans						
Millennium BCP	50,000	—	—	50,000	—	—
BBVA / Bankinter	40,375,000	6,958,272	33,121,646	33,250,000	14,136,881	18,944,129
Novo Banco	35,000,000	7,029,645	27,939,280	28,000,000	7,129,066	20,983,268
Banco Montepio	25,000,000	—	—	—	—	—
	100,425,000	**13,987,917**	**61,060,926**	**61,300,000**	**21,265,947**	**39,927,397**

On 27 September 2017, a financing contract between CTT and BBVA and Bankinter was signed, for an initial period of 5 years and for a total amount of 90 million Euros, with the possibility of using the funds until September 2018. As no amount was used until the mentioned date, the contract was renegotiated on 27 September 2018, having the total amount been altered to 75 million Euros, while maintaining the one-year term for the use of the funds. As at 31 December 2022, the referred used amount, net of commissions and added by the amount of interests to be paid in the following period corresponded to corresponded to 33,081,009 Euros. By the Group decision, the remaining available amount will not be used.

On 22 April 2019, a simple credit agreement was signed between CTT and Novo Banco for a period of 60 months, with a grace period of two years, and may be extended for a period of 24 months, for a total amount of 35 million Euros. As at 31 December 2022, the 35 million Euros were used and are presented in the statement of financial position net of commissions and added by the amount of interests to be paid in the following period, in the total amount of 28,112,334 Euros.

On 21 May 2020, a Commercial Paper Issue Placement Agreement was signed with Banco Montepio in the maximum amount of 25 million Euros, with a term of 3 years, renewable for the same period. As of 31 December 2021 and 31 December 2022, no amount was used. As no available amount was used, the contract was discontinued and no amount was available on 31 December 2022.

Bank loans obtained are subject to compliance with financial covenants, namely clauses of Cross default, Negative Pledge and Assets Disposal's limits. Additionally, the loans obtained also require compliance with rations of Net Debt over EBITDA and financial autonomy. Compliance with financial covenants is regularly monitored by the **Group** and is measured by counterparties on an annual basis based on the Financial Statements as at 31 December. As at 31 December 2022, the **Group** is in compliance with financial covenants.

Lease Liabilities

The **Group** and the **Company** presents lease liabilities which future payments, undiscounted and discounted amounts presented in the financial position, are detailed as follows:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Due within 1 year	30,860,141	33,738,178	22,376,488	22,885,261
Due between 1 to 5 years	66,579,734	64,061,159	43,500,570	33,678,076
Over 5 years	28,808,052	41,692,362	10,904,932	14,521,388
Total undiscounted lease liabilities	**126,247,928**	**139,491,699**	**76,781,989**	**71,084,725**
Current	28,113,860	30,384,677	20,954,476	21,682,343
Non-current	87,174,586	95,491,822	51,653,957	45,331,771
Lease liabilities included in the statement of financial position	**115,288,445**	**125,876,499**	**72,608,433**	**67,014,114**

The amounts recognized in the income statement are detailed as follows:

	Group		Company	
	2021	**2022**	**2021**	**2022**
Lease Liabilities interests (note 51)	3,066,925	3,167,709	1,853,571	1,468,414
Variable payments not included in the measurament of the lease liability (note 44)	2,121,573	2,099,923	1,643,371	1,644,582

The amounts recognized in the Cash flow statement are as follows:

	Group		Company	
	2021	2022	2021	2022
Total of lease payments	(30,343,081)	(33,708,341)	(22,604,891)	(23,150,398)

The movement in the rights of use underlying these lease liabilities can be analyzed in note 5.

Reconciliation of Changes in the responsibilities of Financing activities

The reconciliation of changes in the responsibilities of financing activities as of 31 December 2021 and 31 December 2022, in the **Group** and the **Company**, are detailed as follows:

Group	**2021**	**2022**
Opening Balance	206,866,753	201,119,450
Changes in the consolidation perimeter	2,667,159	—
Movements without cash	35,383,531	44,304,863
Contract changes	26,291,146	40,529,793
IFRS 16 Interests	3,066,925	3,124,941
Others	6,025,460	650,130
Loans:		
Inflow	100,261,411	104,856,928
Outflow	(110,777,850)	(120,618,233)
Confirming:		
Inflow	—	—
Outflow	(2,938,473)	—
Lease liabilities:		
Inflow	—	—
Outflow	(30,343,081)	(33,708,341)
Closing balance	**201,119,450**	**195,954,667**

Company	**2021**	**2022**
Opening Balance	162,547,885	147,657,276
Movements without cash	16,162,223	19,064,727
Contract changes	12,736,792	16,078,364
IFRS 16 Interests	1,853,571	1,468,414
Others	1,571,860	1,517,948
Loans:		
Inflow	—	—
Outflow	(8,447,942)	(15,364,146)
Lease liabilities:		
Inflow	—	—
Outflow	(22,604,891)	(23,150,398)
Closing balance	**147,657,276**	**128,207,458**

32. Employee benefits

GRI 201-3

Liabilities related to employee benefits refer to (i) post-employment benefits – healthcare and pension plan (ii) other long-term employee benefits and (iii) other long-term benefits for the Statutory Bodies.

During the years ended 31 December 2021 and 31 December 2022, the **Group** and the **Company** liabilities presented the following movement:

	2021									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	271,158,313	1,431,894	325,457	9,882,604	201,592	282,999,860	271,158,313	9,665,955	201,593	281,025,861
Movement of the period	(7,631,699)	35,987	(56,503)	6,338,404	209,837	(1,103,974)	(7,631,699)	6,351,053	209,838	(1,070,808)
Closing balance	**263,526,615**	**1,467,881**	**268,954**	**16,221,007**	**411,429**	**281,895,886**	**263,526,615**	**16,017,008**	**411,431**	**279,955,052**

	2022									
	Group						Company			
	Healthcare	Healthcare - SAMS	Pension Plan	Other benefits	Other long-term employee benefits	Total	Healthcare	Other long-term employee benefits	Other long-term benefits statutory bodies	Total
Opening balance	263,526,615	1,467,881	268,954	16,221,007	411,429	281,895,886	263,526,615	16,017,008	411,431	279,955,052
Movement of the period	(73,161,248)	(515,643)	(45,479)	(592,371)	(231,847)	(74,546,588)	(73,161,248)	(561,149)	(231,846)	(73,954,243)
Closing balance	**190,365,367**	**952,238**	**223,475**	**15,628,636**	**179,582**	**207,349,298**	**190,365,367**	**15,455,859**	**179,583**	**206,000,809**

The caption Other long-term employee benefits essentially refers to the benefit Pensions for work accidents, to the on-going staff reduction program and to the benefit End of Career Awards.

The caption Other long-term benefits for the Statutory Bodies refers to the long-term variable remuneration assigned to the executive members of the Board of Directors.

The details of the **Group** and the **Company** liabilities related to employee benefits, considering their classification, are as follows:

	Group		Company	
	2021	2022	2021	2022
Non-current liabilities	260,805,742	185,257,617	258,892,489	183,936,635
Current liabilities	21,090,144	22,091,681	21,062,563	22,064,174
	281,895,886	**207,349,298**	**279,955,052**	**206,000,809**

As at 31 December 2021 and 31 December 2022, the costs related to employee benefits recognized in the consolidated and individual income statement and the amount recognized directly in Other changes in equity were as follows:

	Group 2021	Group 2022	Company 2021	Company 2022
Costs for the period				
Healthcare	7,481,517	7,880,000	7,481,517	7,880,000
Healthcare - SAMS	126,019	130,557	—	—
Pension plan	4,203	3,748	—	—
Other long-term employee benefits	9,499,035	3,273,936	9,511,684	3,305,159
Other long-term benefits statutory bodies	209,837	(231,847)	209,837	(231,847)
	17,320,611	**11,056,394**	**17,203,038**	**10,953,312**
Other changes in equity				
Healthcare	(4,878,001)	(69,891,919)	(4,878,001)	(69,891,919)
Healthcare - SAMS	(88,952)	(645,097)	—	—
Pension Plan	(32,205)	(21,042)	—	—
Other benefits	—	—	—	
	(4,999,158)	**(70,558,058)**	**(4,878,001)**	**(69,891,919)**

As at 31 December 2021 and 31 December 2022, the amounts recognized as actuarial gains or losses detailed by nature, in the **Group** and in the **Company**, were as follows:

Group	2021 Changes Financial Assumptions	2021 Change in demographic Assumptions	2021 Experience	2021 Total	2022 Changes Financial Assumptions	2022 Experience	2022 Total
Healthcare	(4,754,850)	—	(123,151)	(4,878,001)	(64,783,291)	(5,108,628)	(69,891,919)
Healthcare - SAMS	(46,536)	—	(42,416)	(88,952)	(647,855)	2,758	(645,097)
Pension Plan	(2,336)	(249)	(29,620)	(32,205)	(34,297)	13,255	(21,042)
Other benefits	(3,206)	—	(25,682)	(28,888)	(49,971)	1,185	(48,786)
Other long-term employee benefits	(90,564)	—	937,819	847,255	(1,302,559)	(48,144)	(1,350,703)
	(4,897,492)	**(249)**	**716,950**	**(4,180,791)**	**(66,817,973)**	**(5,139,574)**	**(71,957,547)**

Company	2021 Changes Financial Assumptions	2021 Experience	2021 Total	2022 Changes Financial Assumptions	2022 Experience	2022 Total
Healthcare	(4,754,850)	(123,151)	(4,878,001)	(64,783,291)	(5,108,628)	(69,891,919)
Other long-term employee benefits	(90,564)	937,819	847,255	(1,302,559)	(48,144)	(1,350,703)
	(4,845,414)	**814,668**	**(4,030,746)**	**(66,085,850)**	**(5,156,772)**	**(71,242,622)**

In 2022, actuarial gains/losses related to financial assumptions changes reflect the discount rate review from 1.42% in 2021 to 3.60% to 2022.

Healthcare - IOS Plan and Insurance policy

As mentioned in Note 2.21, CTT is responsible for financing each healthcare plans applicable to certain employees – IOS Plan and Insurance policy.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2022.

The main assumptions followed in the **Group** and the **Company** actuarial study of both plans were:

	2021	2022
Financial assumptions		
Discount rate	1.42%	3.60%
Salaries expected growth rate	2.25%	2.25%
Pensions growth rate	Law no. 53-B/2006 (com ∆ GDP < 2%)	Law no. 53-B/2006 (com ∆ GDP < 2%)
Inflation rate	1.50%	1.50%
Health costs growth rate	3.30%	3.30%
Stop-Loss	€ 949.50	€ 949.50
Duration	14.9	12.6
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

The discount rate is estimated based on interest rates of private debt bonds with high credit rating (“AA” or equivalent) at the date of the balance sheet and with a duration equivalent to that of the liabilities with healthcare.

The discount rate is determined by the **Group** and the **Company** analysis of the evolution of the macroeconomic context and the constant need to match the actuarial and financial assumptions to that reality. Therefore, as a result of that analysis the discount rate was changed to 3.60% (1.42% in 2021).

The salaries expected growth rate is determined according to the salary policy defined by the **Group** and the **Company**.

The pensions expected growth rate is determined considering the estimated evolution of inflation and GDP growth rate.

The healthcare costs growth rate reflects the best estimate for the future evolution of these costs, considering the history of the plan’s data.

In the beginning of 2021, the entity that currently manages the Plan, Médis, accepted the introduction of a Stop-loss coverage, with the introduction of a cap corresponding to an average annual cost per beneficiary of 949.50 Euros fixed for the next 3 years. Stop-loss is an insurance coverage where the risk above the reference amount is transferred from the policyholder (CTT) to the insurance company (Médis), in this case, defined by the average annual cost per beneficiary. The contract between Médis and CTT, with the conditions negotiated, has a minimum duration of 3 years, starting on 1 January 2021 and ending on 31 December 2023. The liabilities were calculated considering from 2024 an annual growth of the Stop loss equivalent to the growth rate of health expenses.

The demographic assumptions are based on the mortality and disability tables considered appropriate for the actuarial assessment of this plan.

The evolution of the present value of the **Group** and the **Company** liabilities related to the healthcare plans has been as follows:

Group and Company	2022	2021	2020	2019	2018
Liabilities at the end of the period					
IOS plan	183,727,343	254,937,950	261,776,888	265,509,580	244,758,317
Insurance policy	6,638,024	8,588,665	9,381,426	8,918,960	7,040,193
	190,365,367	**263,526,615**	**271,158,313**	**274,428,540**	**251,798,510**

For the years ended 31 December 2021 and 31 December 2022, the movement which occurred in the present value of the defined benefits liability regarding the healthcare plans was as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2021	2022	2021	2022	2021	2022
Opening balance	271,158,314	263,526,615	261,776,888	254,937,950	9,381,426	8,588,665
Service cost of the year	4,045,000	4,221,000	4,045,000	4,221,000	—	—
Interest cost of the year	3,447,000	3,659,000	3,328,000	3,540,000	119,000	119,000
Plan amendment	(10,483)	—	95,250	—	(105,733)	—
Pensioners contributions	4,917,973	4,889,650	4,647,786	4,622,171	270,187	267,479
(Payment of benefits)	(14,598,406)	(15,541,938)	(13,903,508)	(14,859,194)	(694,898)	(682,744)
(Other costs)	(554,781)	(497,041)	(531,582)	(476,327)	(23,199)	(20,714)
Actuarial (gains)/losses	(4,878,001)	(69,891,919)	(4,519,884)	(68,258,257)	(358,117)	(1,633,662)
Closing balance	**263,526,615**	**190,365,367**	**254,937,950**	**183,727,343**	**8,588,665**	**6,638,024**

The total costs for the period were recognized as follows:

Group and Company	Total		IOS Plan		Insurance policy	
	2021	2022	2021	2022	2021	2022
Staff costs/employee benefits (Note 45)	3,479,736	3,723,959	3,608,668	3,744,673	(128,932)	(20,714)
Other costs	554,781	497,041	531,582	476,327	23,199	20,714
Interest expenses (Note 51)	3,447,000	3,659,000	3,328,000	3,540,000	119,000	119,000
	7,481,517	**7,880,000**	**7,468,250**	**7,761,000**	**13,267**	**119,000**

As at 31 December 2021 and 31 December 2022, regarding the IOS Plan, the actuarial (gains)/losses in the amount of (68,258,257) Euros ((4,519,884) Euros as at 31 December 2021) were recognized in equity under Other changes in equity, net of deferred taxes of 19,112,312 Euros (1,268,568 Euros as at 31 December 2021).

As at 31 December 2022, regarding the IOS plan, the amount of actuarial (gains)/ losses is mainly due to the increase in the discount rate from 1.42% to 3.60%.

In what refers to the Insurance Policy, as at 31 December 2021 and 31 December 2022, the amounts of (358,117) Euros and (1,633,662) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 100,273 Euros and 47,425 Euros, respectively.

The best estimate the **Group** and the **Company** have at this date for costs related to the healthcare plan, which they expect to recognize in the next annual period is 9,235 thousand Euros.

The sensitivity analysis performed for the IOS Plan and Insurance policy leads to the following conclusions:

(i) If there was an increase of 100 b.p. in the growth rate of medical costs and keeping all other variables constant, the liabilities of the healthcare plan would be 225,732 thousand Euros, increasing by approximately 18.6%.

(ii) If the discount rate was reduced 25 b.p. and keeping all the remaining variables constant, the liabilities would increase by approximately 3.1%, amounting to 196.267 thousand Euros.

(iii) The use of adjusted mortality tables, differentiated between men and women (Men TV 73/77 (-2) and Women TV 88/90 (-3)), holding everything else constant, could translate into an increase of the health care plan liability for past services of about 2.4% amounting to a total of 194,984 thousand Euros.

Healthcare - SAMS

As mentioned in Note 2.21, the **Group** is responsible for paying medical care charges to all 321 Crédito, S.A. employees in a situation of retirement, as well as for survival pensioners.

The provision of this medical care is ensured by the Social Medical Assistance Service (SAMS) whose post-retirement charges, for the member, are defined in clause 92 of the ACT of the banking sector published in BTE nº 38 of 2017 of October 15.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2022.

The main assumptions followed in the **Group** actuarial study were:

	2021	2022
Financial assumptions		
Discount rate	1.42%	3.60%
Salaries growth rate	1.25%	1.25%
Inflation rate	1.00%	1.00%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)
Disability table	Swiss RE	Swiss RE

For the year ended 31 December 2021 and 31 December 2022, the movement of **Group** liabilities with the Healthcare – SAMS was as follows:

Group	2021	2022
Opening balance	1,431,894	1,467,881
Service cost of the year	107,426	109,729
Interest cost of the year	18,593	20,828
(Payment of benefits)	(1,080)	(1,103)
Actuarial (gains)/losses	(88,952)	(645,097)
Closing balance	**1,467,881**	**952,238**

The total costs for the period were recognized as follows:

Group	2021	2022
Staff costs/employee benefits (Note 45)	107,426	109,729
Interest expenses (Note 51)	18,593	20,828
	126,019	**130,557**

The best estimate the **Group** has at this date for costs related to the Healthcare – SAMS, which it expects to recognize in the next annual period, is 106,709 Euros.

The sensitivity analysis performed in the year ended 31 December 2022 for the Healthcare – SAMS leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 5.3%, amounting to 1,002,707 Euros.

Pension Plan

As mentioned in Note 2.21, the **Group** is responsible for the payment of cash benefits in the form of supplementary retirement pension contributions over the amounts paid by Social Security to a closed group of employees of Transporta, which was merged into CTT Expresso during the year 2019.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2022.

The main assumptions followed in the **Group** actuarial study were:

	2021	2022
Financial assumptions		
Discount rate	1.42%	3.60%
Salaries growth rate	2.25%	2.25%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women : TV 88/90 (-1)	Men: TV 88/90 Women : TV 88/90 (-1)
Disability rate	SWISS RE	SWISS RE

For the year ended 31 December 2021 and 31 December 2022, the movement of **Group** liabilities with the Pension Plan was as follows:

Group	2021	2022
Opening balance	325,457	268,954
Service cost of the year	173	125
Interest cost of the year	4,030	3,623
(Payment of benefits)	(28,501)	(28,185)
Actuarial (gains)/losses	(32,205)	(21,042)
Closing balance	**268,954**	**223,475**

The total costs for the period were recognized as follows:

Group	2021	2022
Staff costs/employee benefits (Note 45)	173	125
Interest expenses (Note 51)	4,030	3,623
	4,203	**3,748**

The best estimate the **Group** has at this date for costs related to the pension plan, which it expects to recognize in the next annual period, is 7,692 Euros.

As at 31 December 2021 and 31 December 2022, the amounts of (32,205) Euros and (21,042) Euros, respectively, related to the actuarial (gains)/losses were recognized in equity under Other changes in equity, net of deferred taxes of 7,230 Euros and 5,383 Euros, respectively.

The sensitivity analysis performed in the year ended 31 December 2022 for the Pension Plan leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 1.5%, amounting to 226,827 Euros.

Other long-term employee benefits

Following the mentioned note 2.21, the **Group** assumed the commitment regarding the payment of a “End of Career award” on the date of retirement, due to disability or old age, in the amount of 1.5 times the effective monthly remuneration earned in that date as well as the payment of a capital called “Death Allowance resulting from Work Accidents” to 321 Crédito, S.A. employees. Both benefits are attributed under the banking sector ACT published in BTE nº 38 of 2017 of October 15, clauses 69 and 72, respectively.

In order to obtain the estimate of the liabilities and costs to be recognized for each period, an actuarial study is performed by an independent entity every year, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable, an actuarial study has been performed as at 31 December 2022.

The main assumptions followed in the **Group** actuarial study were:

	2021	2022
Financial assumptions		
Discount rate	1.42%	3.60%
Salaries growth rate	1.25%	1.25%
Demographic assumptions		
Mortality rate due to work accident	0.0035%	0.0035%
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)

For the year ended 31 December 2021 and 31 December 2022, the movement of **Group** liabilities with the Other post-employment benefits related to “End Career Awards” and Death Allowance resulting from work accidents”, presented in the table below, was as follows:

Group	2021	2022
End of Career Awards		
Opening balance	209,851	197,170
Service cost of the year	12,899	13,900
Interest cost of the period	2,544	2,773
Actuarial (gains)/losses	(28,124)	(47,282)
Closing balance	**197,170**	**166,561**
Death Allowance resulting from Work Accidents		
Opening balance	6,797	6,829
Service cost of the year	712	798
Interest cost of the period	84	92
Actuarial (gains)/losses	(764)	(1,504)
Closing balance	**6,829**	**6,215**
Total	**203,999**	**172,776**

The total costs for the period were recognized as follows:

Group	2021	2022
Staff costs/employee benefits (Note 45)		
End of Career Awards	(15,225)	(33,382)
Death Allowance resulting from Work Accidents	(52)	(706)
	(15,277)	**(34,088)**
Interest expenses (Note 51)	2,628	2,865
	(12,649)	**(31,223)**

The best estimate the **Group** has at this date for costs related to the Other post-employment benefits, which it expects to recognize in the next annual period, is 18,745 Euros.

The sensitivity analysis performed in the year ended 31 December 2022, for the Other post-employment benefits leads to the conclusion that if the discount rate were reduced by 25 b.p. and keeping all the remaining variables constant, the liabilities for past services would increase by approximately by 5.3%, amounting to 181,933 Euros.

Additionally, and as mentioned in Note 2.21, in certain situations, the **Group** and the **Company** has liabilities related to the payment of salaries in situations of Suspension of contracts, redeployment and release of employment, the allocation of subsidies of Support for termination of professional activity (which was eliminated as of 1 April 2013), the payment of the Telephone subscription fee, Pensions for work accidents, and Monthly life annuity. In order to obtain the estimate of the value of these liabilities and the costs to be recognized for each period, every year, an actuarial study is made by an independent entity, based on the Projected Unit Credit method, and according to assumptions that are considered adequate and reasonable. As at 31 December 2022, an actuarial study was requested to an independent entity to assess the liabilities at the reporting date.

The main assumptions followed in the assessment of the **Group** and the **Company** liabilities were:

	2021	2022
Financial assumptions		
Discount rate	1.42%	3.60%
Salaries growth rate (Suspension of contracts)	2.25%	2.25%
Pensions growth rate (Pension for work accidents, Monthly life annuity)	1.50%	1.50%
Inflation rate	1.50%	1.50%
Demographic assumptions		
Mortality table	Men: TV 88/90 Women: TV 88/90 (-1)	Men: TV 88/90 Women: TV 88/90 (-1)

For the years ended 31 December 2021 and 31 December 2022, the movement of **Group** and the **Company** liabilities with other long-term employee benefits, was as follows:

Group and Company	2021	2022
Suspension of contracts, redeployment and release of employment		
Opening balance	2,754,747	9,493,686
Interest cost of the period	27,227	119,616
Liabilities relative to new beneficiaries	8,550,491	4,447,043
Transfers from Provisions (Note 33)	—	1,250,000
(Payment of benefits)	(2,658,170)	(4,636,496)
Actuarial (gains)/losses	819,390	(336,289)
Closing balance	**9,493,686**	**10,337,560**
Telephone subscription fee		
Opening balance	414,119	383,961
Interest cost of the period	5,076	5,121
(Payment of benefits)	(43,865)	(30,490)
Actuarial (gains)/losses	8,631	(73,340)
Closing balance	**383,961**	**285,252**
Pension for work accidents		
Opening balance	6,458,399	6,113,602
Interest cost of the period	81,216	83,808
(Payment of benefits)	(447,405)	(438,220)
Actuarial (gains)/losses	21,392	(938,904)
Closing balance	**6,113,602**	**4,820,286**
Monthly life annuity		
Opening balance	38,691	25,760
Interest cost of the period	419	274
(Payment of benefits)	(11,191)	(11,102)
Actuarial (gains)/losses	(2,159)	(2,170)
Closing balance	**25,760**	**12,762**
Total	**16,017,008**	**15,455,859**

During the years ended 31 December 2021 and 31 December 2022, the total costs for the year were recognized as follows:

Group and company	2021	2022
Staff costs/employee benefits (Note 45)		
Suspension of contracts, redeployment and release of employment	1,369,881	4,110,754
Telephone subscription fee	8,631	(73,340)
Pension for work accidents	21,392	(938,904)
Monthly life annuity	(2,159)	(2,170)
Suspension and Early-Retirement Agreements (Note 33)	8,000,000	—
	9,397,745	**3,096,340**
Interest expenses (Note 51)	113,938	208,819
	9,511,684	**3,305,159**

The liabilities related to new beneficiaries on 31 December 2022, in the Suspension of contracts, redeployment and release of employment benefit occur under the referred human resources optimization process, following agreements of suspension of employment contracts entered into or terminated in the meantime.

As at 31 December 2021, the amount relating to Suspension or Early-Retirement agreements of 8,000,000 Euros is explained in detail in Note 33 - Provisions, Guarantees provided, Contingent Liabilities and Commitments and in Note 45 - Staff Costs.

The actuarial (gains)/losses regarding long-term employee benefits recognized as at 31 December 2021 and 31 December 2022 mainly relates to the changes occurred in the discount rate as well as to the movements in the beneficiary population which, according to IAS 19 – Employee benefits, were recognized in the caption Staff costs in the income statement.

The best estimate that the **Company** has at this date for costs with other long-term benefits, which it expects to recognize in the next year is 457,522 Euros.

The sensitivity analysis performed on 31 December 2022 for the Other long-term benefits leads to the conclusion that, if the discount rate was reduced by 25 b.p., keeping everything else constant, this would give rise to an increase in liabilities for past services of approximately 0.8%, increasing to 15,580 thousand Euros.

Other long-term benefits for the Statutory Bodies

At the General Meeting held on 21 April 2021, a new Remuneration Regulation for Members of the Statutory Bodies was approved for the 2020-2022 term. This regulation established the attribution assumptions of the annual variable remuneration (RVA) and the form of long-term variable remuneration (RVPL) for a "stock options" mechanism.

The main features of the plan and the accounting impacts are explained in detail in note 45 - Staff costs.

33. Provisions, Guarantees provided, Contingent liabilities and commitments

Provisions

For the years ended 31 December 2021 and 31 December 2022 in order to face legal proceedings and other liabilities arising from past events, the **Group** and the **Company** recognized provisions, which showed the following movement:

	2021						
Group	**Opening balance**	**Increases**	**Reversals**	**Utilizations**	**Transfers**	**Regularizations**	**Closing balance**
Non-current provisions							
Litigations	3,003,416	1,254,601	(1,383,155)	(90,046)	49,983	—	2,834,799
Restructuring	1,083,347	—	(964,524)	(123,823)	—	5,000	—
Other provisions	10,402,877	686,564	(3,623,942)	(83,435)	(67,983)	—	7,314,082
Commitment provisions	—	211,465	(67,125)	—	169,822	—	314,163
Sub-total - caption "Provisions (increases)/ reversals"	**14,489,641**	**2,152,630**	**(6,038,746)**	**(297,304)**	**151,822**	**5,000**	**10,463,043**
Restructuring	163,800	9,341,409	(13,145)	(36,328)	(8,000,000)	—	1,455,737
Other provisions	2,762,913	41,951	—	(44,123)	—	—	2,760,741
	17,416,354	**11,535,990**	**(6,051,891)**	**(377,755)**	**(7,848,178)**	**5,000**	**14,679,520**

Group	2022 Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	2,834,799	1,516,656	(1,304,899)	(114,458)	213,598	—	3,145,696
Onerous contracts	—	453,598	—	(293,450)	—	—	160,148
Other provisions	7,314,082	3,894,875	(4,819,453)	(155,924)	(213,598)	—	6,019,982
Commitment provisions	314,163	39,865	(229,571)	—	—	—	124,457
Sub-total - caption "Provisions (increases)/ reversals"	**10,463,043**	**5,904,994**	**(6,353,923)**	**(563,832)**	**—**	**—**	**9,450,283**
Investments in subsidiaries and associated companies	—	168,972	—	—	—	—	168,972
Restructuring	1,455,737	145,993	(50,000)	—	(1,250,000)	(102,344)	199,386
Other provisions	2,760,741	158,488	—	(105,603)	—	—	2,813,626
	14,679,520	**6,378,447**	**(6,403,923)**	**(669,435)**	**(1,250,000)**	**(102,344)**	**12,632,267**

The net amount between increases and reversals of provisions was recorded in the consolidated income statement under the caption Provisions, net and amounted to (3,886,116) Euros as at 31 December 2021 and (448,929) Euros as at 31 December 2022.

Company	2021 Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	2,325,319	1,137,417	(1,267,797)	(88,754)	49,983	—	2,156,168
Restructuring	433,501	—	(436,724)	(1,777)	—	5,000	—
Other provisions	7,197,456	188,512	(2,661,076)	—	(49,983)	—	4,674,909
Sub-total - caption "Provisions (increases)/reversals"	**9,956,276**	**1,325,929**	**(4,365,597)**	**(90,531)**	**—**	**5,000**	**6,831,077**
Restructuring	123,672	9,265,000	—	(36,328)	(8,000,000)	—	1,352,344
Other provisions	2,289,125	40,970	—	(44,123)	—	—	2,285,971
	12,369,072	**10,631,899**	**(4,365,597)**	**(170,982)**	**(8,000,000)**	**5,000**	**10,469,392**

Company	2022 Opening balance	Increases	Reversals	Utilizations	Transfers	Regularizations	Closing balance
Non-current provisions							
Litigations	2,156,168	1,429,086	(1,138,720)	(81,402)	21,791	—	2,386,923
Onerous contracts	—	453,598	—	(293,450)	—	—	160,148
Other provisions	4,674,909	751,723	(4,559,594)	(22,251)	(21,791)	—	822,996
Sub-total - caption "Provisions (increases)/reversals"	**6,831,077**	**2,634,407**	**(5,698,314)**	**(397,103)**	**—**	**—**	**3,370,067**
Restructuring	1,352,344	9,451	—	—	(1,250,000)	(102,344)	9,451
Other provisions	2,285,971	156,488	—	(105,600)	—	—	2,336,859
	10,469,392	**2,800,346**	**(5,698,314)**	**(502,703)**	**(1,250,000)**	**(102,344)**	**5,716,377**

The net amount between increases and reversals of provisions was recorded in the individual income statement under the caption Provisions, net and amounted to (3,039,668) Euros as at 31 December 2021 and (3,063,907) as at 31 December 2022.

A provision should only be used for expenditures for which the provision was originally recognized, so the **Group** and the **Company** reverse the provision when it is no longer probable that an outflow of resources that incorporate future economic benefits will be necessary to settle the obligation.

Litigations

The provisions for litigations were set up to face the liabilities resulting from lawsuits brought against the **Group** and the **Company** and are estimated based on information from their lawyers as well as on the termination of the mentioned lawsuits. The final amount and the timing of the outflows regarding the provision for litigations depend on the outcome of the respective proceedings.

The reversal of the provision for litigations, in the amount of 1,383,155 Euros as at 31 December 2021 and 1,304,899 Euros as at 31 December 2022, essentially results from lawsuits whose decision, which was made known in the course of 2021 or 2022, respectively, proved to be favourable to the **Group**, or, not being favourable, resulted in the condemnation to pay amounts that proved to be lower than the estimated amounts (and reflected in this provision item).

Onerous contracts

The provision for onerous contracts is intended to cover contracts in which the unavoidable costs of meeting the obligations of the contracts exceed the economic benefits that are expected to be received under them, amounting at 31 December 2022 the amount of 160,148 euros.

Other provisions

As at 31 December 2022, the amount of 3,780,356 Euros provisioned in previous years to cover possible contingencies related to labour litigation actions not included in the current court proceedings, related to remuneration differences that could be claimed by workers, was fully reversed, as it is understood that the probability of outflows associated with these contingencies is currently remote.

As at 31 December 2022, a provision is recognized in CTT Expresso branch in Spain to face the notification issued by the Spanish National Commission on Markets and Competition. This process was originated during the year 2016, based on the alleged contrary action to article 1 of the Law 15/2017 (“Law on Competition Defense”) and article 101º of the Treaty on the Functioning of the European Union (“TFUE”). This notification amounted to 3,148,845 Euros and, in previous years, has already been subject of an appeal to the Spanish Audiencia Nacional (National High Court). Regarding this matter, Tourline (currently designated as CTT Expresso branch in Spain) submitted a formal request to the coercive measure suspension, and the request was accepted under the condition of a guarantee presentation – a procedure that was duly and timely adopted by Tourline. During 2022, the Spanish Audiencia Nacional dismissed the appeal and ratified the fine of 3,148,845 Euros plus final and unappealable costs. Regarding this subject, the provision booked in previous years, which amounted to 1,400,000 Euros, was increased by 1,800,000 Euros, amounting at 31 December 2022, the amount of 3,200,000 Euros and results from the evaluation carried out by the **Group**'s legal advisors.

The amount provisioned in 321 Crédito, S.A. amounting to 907,030 Euros as at 31 December 2022 (741,641 Euros at 31 December 2021) mainly results from the management assessment regarding the possibility of materializing tax contingencies and other processes.

As at 31 December 2022, in addition to the previously mentioned situations, this caption, essentially, also includes, in the **Group** and the **Company**:

- the amount of 347,827 Euros in the Group and 269,827 Euros in the Company to cover costs of dismantlement of tangible fixed assets and/or removal of facilities and restoration of the site;

- the amount of 664,872 Euros in the Group and Company, which arise from the assessment made by the management regarding the possibility of materializing contingent amounts to be paid to third parties under the scope of contracts entered into;

- the amount of 309,007 Euros regarding the liability, recognized in the company CTT Expresso, with a labour legal proceeding;

- the amount of 2,025,666 Euros in the Group and 1,857,900 Euros in the Company, to cover costs of operational vehicles restoration.

- the amount of commitments for guarantees provided to third parties to cover promotional contests in the amount of 590,060 Euros.

Commitments provisions

Commitments provisions refer to provisions for indirect credit, amounting to 124,456 Euros in the period ended 31 December 2022 (31 December 2021: 314,163 Euros).

Restructuring

In June 2021, CTT approved a new HR optimization program considering the need to optimize teams. This program presumed the launch of a Voluntary Exit Program based on the signing of Suspension or Pre-Retirement Agreements. As at 31 December 2021, a provision in the amount of 9,341,409 Euros was booked, which was recognized under Staff costs caption in the income statement. As at 31 December 2021, regarding the agreements performed at this date, an amount of 8,000,000 Euros was transferred to the caption employee benefits in the statement of financial position. As at 31 December 2022, regarding the agreements performed during 2022, an amount of 1,250,000 Euros was transferred to the caption employee benefits in the statement of financial position.

Guarantees provided

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** had provided bank guarantees to third parties as follows:

Description	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Autoridade Tributária e Aduaneira (Portuguese Tax and Customs Authority)	2,917,205	4,389,246	855,915	2,327,956
Contencioso Administrativo da Audiência Nacional (National Audience Administrative Litigation) and CNMC - Comission Nacional de los Mercados y la Competencia - Espanha (National Commission on Markets and Competition - Spain)	3,148,845	3,148,845	3,148,845	3,148,845
PLANINOVA - Soc. Imobiliária, S.A. (Real estate company)	2,033,582	2,033,582	2,033,582	2,033,582
LandSearch, Compra e Venda de Imóveis (Real estate company)	1,792,886	1,792,886	1,792,886	1,792,886
Fidelidade, Multicare, Cares - (Glintt BPO)	1,022,834	1,022,834	—	—
MARATHON- Fundo de Investimento fechado (closed property investment)	432,000	810,435	—	—
AMBIMOBILIÁRIA- ~Investimentos e negócios, S.A. (Real estate company)	480,000	480,000	480,000	480,000
Courts	339,230	339,230	333,230	333,230
EUROGOLD	—	318,299	—	—
CIVILRIA	224,305	224,305	—	—
Transportes Bernardos Marques, S.A.	220,320	220,320	220,320	220,320
TIP - Transportes Intermodais do Porto, ACE (Oporto intermodal transport)	150,000	150,000	—	—
Via Direta	150,000	150,000	—	—
Municipalities	118,658	118,658	118,658	118,658
EPAL - Empresa Portuguesa de Águas Livres (Multi-municipal System of Water Supply and Sanitation of the Lisbon Area)	68,895	68,895	68,895	68,895
INCM - Imprensa Nacional da Casa da Moeda (Portuguese Mint and Official Printing Office)	85,056	68,386	—	—
ANA - Aeroportos de Portugal (Airports of Portugal)	34,000	34,000	34,000	34,000
GNB Companhia de seguros vida SA (Insurance company)	25,000	25,000	—	—
Águas do Norte (Water Supply of the Northern Region)	23,804	23,804	23,804	23,804
Instituto de Gestão Financeira Segurança Social (Social Security Financial Management Institute)	21,557	21,557	16,406	16,406
EMEL, S.A. (Municipal company managing parking in Lisbon)	19,384	19,384	19,384	19,384
Serviços Intermunicipalizados Loures e Odivelas (Inter-municipal Services of Water Supply and Sanitation of the Loures and Odivelas Areas)	17,000	17,000	17,000	17,000
Direção Geral do Tesouro e Finanças (Directorate General of Treasury and Finance)	16,867	16,867	16,867	16,867
Portugal Telecom, S.A. (Telecommunication Company)	16,658	16,658	16,658	16,658
REFER (Public service for the management of the national railway network infrastructure)	16,460	16,460	—	—
Other entities	16,144	16,144	—	—
SMAS de Sintra (Services of Water Supply and Sanitation of the city of Sintra)	15,889	15,889	15,889	15,889
Repsol (Oil and Gas Company)	15,000	15,000	—	—
DOLCE VITA TEJO (Real State Company)	13,832	13,832	13,832	13,832
Águas do Porto, E.M. (Services of Water Supply and Sanitation of the city of Oporto)	10,720	10,720	—	—
ADRA - Águas da Região de Aveiro (Services of Water Supply and Sanitation of the city of Aveiro)	10,475	10,475	10,475	10,475
SMAS Torres Vedras (Services of Water Supply and Sanitation of the city of Torres Vedras)	9,910	9,910	9,910	9,910
ACT Autoridade Condições Trabalho (Authority for Working Conditions)	9,160	9,160	9,160	9,160
Consejeria Salud (Local Health Service/Spain)	4,116	4,116	—	—
Instituto do Emprego e Formação Profissional (Employment and Professional Training Institute)	3,719	3,719	3,719	3,719
O Feliz - Real State Company	369,932	—	—	—
Lagos em Forma - Gestão desportiva, E.M., S.A. (Municipal company managing sports in Lagos)	11,000	—	11,000	—
EMARP - Empresa de Aguas e Resíduos de Portimão (Services of Water Supply and Sanitation of the city of Portimão)	3,100	—	3,100	—
	13,867,543	**15,635,616**	**9,273,535**	**10,731,476**

Bank guarantees

As at 31 December 2022, the bank guarantees provided in favor of "Autoridade Tributária e Aduaneira" (Portuguese Tax and Customs Authority), in a global amount of 4,389,246 Euros, were essentially provided for the suspension of tax enforcement proceedings.

Guarantees for lease contracts

According to the terms of some lease contracts of the buildings occupied by the **Company**'s services, the Portuguese State ceased to hold the majority of the share capital of CTT, bank guarantees on first demand had to be provided. These guarantees amount to 3,826,468 Euros as at 31 December 2021 and 31 December 2022, in the **Group** and the **Company**.

CTT provided a bank guaranty, on behalf of CTT Expresso branch in Spain, to the Sixth Section of the National Audience Administrative Litigation and to the Spanish National Commission on Markets and Competition ("Comisión Nacional de los Mercados y la Competencia") in the amount of 3,148,845 Euros, regarding the legal proceedings of CTT Expresso branch in Spain with the National Audience in Spain.

Commitments

As at 31 December 2021 and 31 December 2022, the **Group** subscribed promissory notes amounting to approximately 41.9 thousand Euros and 44.4 thousand Euros, respectively, for various credit institutions intended to secure complete and timely compliance with the corresponding financing contracts.

The **Group** and the **Company** engaged guarantee insurances in the total amount of 5,444,387 Euros and 2,713,642 Euros, respectively (31 December 2021: 4,226,910 Euros and 1,897,993 Euros respectively), with the purpose of guaranteeing the fulfilment of contractual obligations assumed by third parties.

In addition, the **Group** and the **Company** also assumed commitments relating to real estate rents under lease contracts and rents for other leases.

The **Group** and the **Company** contractual commitments related to Tangible fixed assets and Intangible assets are detailed respectively in Notes 5 and 6.

34. Accounts payable

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** heading Accounts payable showed the following composition:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Non-current				
Other accounts payable	—	—	309,007	309,007
	—	—	**309,007**	**309,007**
Current				
Advances from customers	2,368,197	2,175,341	2,359,986	2,166,577
CNP money orders	51,157,113	—	51,157,113	—
Suppliers	88,144,917	97,417,126	67,832,513	76,504,150
Invoices pending confirmation	12,256,372	12,194,096	7,197,970	6,233,718
Fixed assets suppliers	7,008,092	4,900,077	5,062,614	3,804,439
Invoices pending confirmation (fixed assets)	6,300,825	6,495,524	5,229,243	5,468,120
Values collected on behalf of third parties	8,911,160	10,069,404	5,387,368	5,692,303
Postal financial services	156,371,620	360,890,497	156,371,533	360,890,505
Deposits	594,183	676,504	—	—
Charges	2,200,392	14,844,784	1,102,742	12,596,851
Compensations	881,108	1,105,808	155,688	90,403
Postal operators - amounts to be settled	1,586,135	680,423	1,586,135	680,423
Amounts to be settled to third parties	1,919,132	1,659,136	1,919,132	1,659,136
Amounts to be settled in stores	495,269	3,012,730	495,269	3,012,730
Other accounts payable	10,109,816	9,090,299	6,651,168	4,972,187
	350,304,332	**525,211,751**	**312,508,476**	**483,771,541**
	350,304,332	**525,211,751**	**312,817,483**	**484,080,548**

CNP money orders

The value of CNP money orders refers to the money orders received from the National Pensions Center (CNP), whose payment date to the corresponding pensioners will occur in the month after the closing of the financial year. The absence of a balance verified on 31 December 2022 is related to the fact that the IGFSS advance for the settlement of CNP money orders only occurred in the first days of January 2023.

Suppliers

The increase in the caption “Suppliers” is justified, mainly, by the increase in the flow of outbound international mail, which was related to the effect of the legislative elections, and the consequent sending of votes to emigrants. As explained in note 19, billing cycles for terminal charges (remuneration for international mail delivery) are annual in accordance with the rules of the Universal Postal Union, which extends the maintenance of these balances over time.

Postal financial services

This heading records mainly the amounts collected related to taxes, insurance, savings certificates and other money orders, whose settlement date should occur in the month following the end of the period.

The increase on 31 December 2022 in this caption is mainly due to an increase in the subscription of savings certificates by consumers, essentially related to the increase in Euribor rates, and the consequent increase in the profitability of this investment product.

Suppliers and fixed assets suppliers

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** caption Suppliers showed the following composition:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Other suppliers	44,331,541	47,228,848	23,584,995	26,878,497
Postal operators	43,813,375	50,108,410	42,761,921	48,327,499
Group companies [(1)]	—	79,868	1,485,597	1,298,153
	88,144,917	**97,417,126**	**67,832,513**	**76,504,150**

(1) Includes subsidiary, associated and joint-ventures companies.

As at 31 December 2021 and 31 December 2022, the ageing of the **Group** and the **Company** balance of the captions Suppliers and Fixed assets suppliers is detailed as follows:

Suppliers	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Non-overdue	35,342,173	35,701,637	20,599,077	18,585,413
Overdue [(1)]:				
0-30 days	8,719,140	5,443,613	5,196,322	3,872,825
31-90 days	2,946,335	12,290,673	2,589,189	11,429,188
91-180 days	4,351,325	4,773,279	3,556,532	4,426,144
181-360 days	12,282,581	15,922,400	11,572,396	15,430,400
> 360 days	24,503,362	23,285,524	24,318,997	22,760,180
	88,144,917	**97,417,126**	**67,832,513**	**76,504,150**

(1) The amounts regarding the foreign operators, although being overdue over 360 days, are within the normal period for the presentation and regularisation of the accounts.

Fixed assets suppliers	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Non-overdue	4,872,336	3,045,920	3,240,215	2,145,243
Overdue:				
0-30 days	1,399,179	1,415,810	910,554	1,393,485
31-90 days	70,223	215,117	—	161,986
91-180 days	29,754	—	258,278	—
181-360 days	292,613	68,179	252,919	36,526
> 360 days	343,988	155,051	400,649	67,199
	7,008,092	**4,900,077**	**5,062,614**	**3,804,439**

The current amount of accounts payable overdue over 360 days is as follows:

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Other suppliers	191,448	759,523	258,543	234,179
Foreign operators	24,311,914	22,526,001	24,060,455	22,526,001
Total	**24,503,362**	**23,285,524**	**24,318,997**	**22,760,180**
Foreign operators - receivable (Note 19)	**(24,277,519)**	**(10,941,989)**	**(23,475,667)**	**(10,153,776)**

The balances between Foreign Operators are cleared by netting accounts. These amounts refer to the accounts receivable balances related to these entities (Note 19), in which the Group does not have an unconditional right to settle the amounts of foreign Operators on a net basis, unilaterally deducting amounts receivable from amounts payable, whereby the balances of foreign Operators are shown in assets and liabilities.

The cost recognition impact of significant financing component effect associated to the contractual performance obligations with Foreign Operators is not significant. The **Group** and the **Company** did not recognize any amount.

There are no ongoing judicial or extrajudicial proceedings to regularize the balances of suppliers that were past due on 31 December 2022.

35. Debt securities issued at amortized cost

This caption showed the following composition:

	31.12.2021	31.12.2022
Non current liabilities		
Debt securities issued	277,760,616	445,226,206
	277,760,616	**445,226,206**
Current liabilities		
Debt securities issued	35,137	351,654
	35,137	**351,654**
	277,795,753	**445,577,860**

As at 31 December 2021 and 31 December 2022, the Debt securities issued are analyzed as follows:

31.12.2021					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class A	July 2017	March 2033	Euribor 1M + 85 b.p.	10,421,009	10,424,113
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	7,000,000	7,001,507
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,106,617
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	203,700,000	205,737,929
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	10,000,000	9,986,657
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	20,000,000	19,976,063
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	11,300,000	11,290,713
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,700,000	3,697,727
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,300,000	1,299,790
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	1,275,000	1,274,637
				275,796,009	**277,795,753**

31.12.2022					
Issue	Issue date	Maturity date	Remuneration	Nominal value	Book value
Ulisses Finance No.1 – Class B	July 2017	March 2033	Euribor 1M + 160 b.p.	4,233,007	4,237,732
Ulisses Finance No.1 – Class C	July 2017	March 2033	Euribor 1M + 375 b.p.	7,100,000	7,113,012
Ulisses Finance No.2 – Class A	September 2021	September 2038	Euribor 1M + 70 b.p.	189,826,075	191,350,779
Ulisses Finance No.2 – Class B	September 2021	September 2038	Euribor 1M + 80 b.p.	9,318,904	9,315,433
Ulisses Finance No.2 – Class C	September 2021	September 2038	Euribor 1M + 135 b.p.	18,637,808	18,633,429
Ulisses Finance No.2 – Class D	September 2021	September 2038	Euribor 1M + 285 b.p.	10,530,362	10,531,837
Ulisses Finance No.2 – Class E	September 2021	September 2038	Euribor 1M + 368 b.p.	3,447,995	3,449,193
Ulisses Finance No.2 – Class F	September 2021	September 2038	Euribor 1M + 549 b.p.	1,211,458	1,212,427
Ulisses Finance No.2 – Class G	September 2021	September 2038	Euribor 1M + 500 b.p.	375,000	375,254
Ulisses Finance No.3 - Class A	June 2022	June 2039	Euribor 1M + 90 bps	168,000,000	167,808,294
Ulisses Finance No.3 - Class B	June 2022	June 2039	Euribor 1M + 200 bps	8,000,000	7,828,704
Ulisses Finance No.3 - Class C	June 2022	June 2039	Euribor 1M + 370 bps	12,000,000	11,741,334
Ulisses Finance No.3 - Class D	June 2022	June 2039	Euribor 1M + 525 bps	6,000,000	5,665,908
Ulisses Finance No.3 - Class E	June 2022	June 2039	Euribor 1M + 650 bps	5,000,000	4,758,885
Ulisses Finance No.3 - Class F	June 2022	June 2039	Euribor 1M + 850 bps	1,000,000	965,514
Ulisses Finance No.3 - Class G	June 2022	June 2039	Euribor 1M + 785 bps	600,000	590,125
				445,280,609	**445,577,860**

During the period ended at 31 December 2021 and 31 December 2022, the movement of this item is as follows:

2021

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	44,517,924	—	(19,980,815)	(4,872)	24,532,237
Ulisses Finance No.2	—	251,500,000	(225,000)	1,988,517	253,263,517
	44,517,924	**251,500,000**	**(20,205,815)**	**1,983,644**	**277,795,753**

During the period ended 31 December 2021, the movements recorded in “Issues” caption are related with a new securitization operation (Ulisses Finance No. 2) on the auto loan portfolio originated by 321 Crédito. The caption “other movements” includes an amount of 2,314,824 Euros related to the issue premium of Note Class A of Ulisses Finance No.2 and an amount of 350,486 Euros of assembly cost at the amortized cost of Ulisses Finance No.2.

2022

	Opening balance	Issues	Repayments	Other movements	Closing balance
Ulisses Finance No.1	24,532,237	—	(13,188,001)	6,508	11,350,744
Ulisses Finance No.2	253,263,517	—	(17,927,399)	(467,765)	234,868,353
Ulisses Finance No.3	—	201,500,000	(2,699,000)	557,764	199,358,764
	277,795,753	**201,500,000**	**(33,814,400)**	**96,507**	**445,577,860**

In 31 December 2022, the movements booked in “Issues” is related to the issuance of a new credit securitization operation called Ulisses Finance nº 3, carried out through 321 Crédito.

The scheduling by maturity regarding this caption is as follows:

31.12.2021

	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	35,137	—	35,137	—	277,760,616	277,760,616	277,795,753
	35,137	**—**	**35,137**	**—**	**277,760,616**	**277,760,616**	**277,795,753**

31.12.2022

	Current			Non-current			
	Due within 3 months	Over 3 months and less than 1 year	Total	Over 1 year and less than 3 years	Over 3 years	Total	Total
Securitisations	351,654	—	351,654	—	445,226,206	445,226,206	445,577,860
	351,654	**—**	**351,654**	**—**	**445,226,206**	**445,226,206**	**445,577,860**

Asset securitization

Ulisses Finance Nr.1

This securitization operation was originated in July 2017 and issued by Sagres - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulysses) with the Ulisses Finance No.1 operation being placed on the market. The operation was set up with the collaboration of the banks Citibank and Deutsche Bank, and included a Consumer Credit portfolio created by 321 Crédito. The structure of the Transaction includes five Tranches from A to E. Tranches A to C are dispersed in the market and Tranches D and E have been retained. This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, Tranches A, B and C.

This transaction includes an optional early repayment clause that allows the Issuer to redeem the notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitization transaction.

The operation has incorporated an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitization operation (Sagres – STC, S.A.).

The Group guarantees the debt service (servicer) of traditional securitization operations, taking over the collection of assigned credits and channelling the amounts received, through the respective deposit to the credit securitization company.

The underlying assets of Ulisses Finance No.1 operations were not derecognised from the Consolidated Statement of Financial Position as the Group substantially maintained the risks and rewards associated with their holding.

Chaves Funding Nr.8

This private securitization operation was issued in November 2019 by Tagus, Sociedade de Titularização de Créditos, S.A., it included a Consumer Credit portfolio originated by 321 Crédito. The operation was set up with the collaboration of Sociedade de Advogados PLMJ. The operation's structure includes a Tranche A and a Tranche B in the notes issued, both of which are fully owned by the Group.

This operation includes an optional early amortization clause that allows the Issuer to redeem the Notes of all Classes issued, when the residual value of the credits represents 10% or less of the value of the Credit Portfolio on the date of setting up the securitization operation.

The underlying assets of Chaves Funding No.8 operation were not derecognised from the Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Ulisses Finance No.2

This securitization operation was created in September 2021 and issued by Tagus - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulysses) with the Ulisses Finance No.2 operation being placed on the market. The operation was set up with the collaboration of Sociedade de Advogados PLMJ and Banco Deutsche Bank, and included a consumer credit portfolio originated by 321 Crédito, whose initial total amount was 250,000 thousand euros, to be maintained over the 12 months of revolving period.

The structure of the transaction includes six collateralized Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.5 million euros and which presents the 30 September 2022 a value of 1,000 euros.

This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, that is, Tranches A to G.

The Ulisses Finance No.2 operation has the characteristics of STS (simple, transparent and standardized) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.2 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approched), the company reduced its “Risk Weight Assets” with regard to the contracts securitized within the scope of this operation.

The operation has incorporated an interest rate cap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitization operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.2 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and benefits associated with their holding.

Next Funding Nr.1

The Next Funding No.1 operation, issued by Tagus – STC, SA in April 2021 and in which Banco CTT is a single investor, has as its underlying asset the credit card balances originated by the Universo credit card issued by Sonae Financial Services. Additionally, Banco CTT grants the operation an overdraft facility (Liquidity Facility) with the sole purpose of acquiring receivables (credit card balances) between the interest payment dates. On each interest payment date (IPD) the balance of the Liquidity Facility will be settled by converting it into the note amount.

In the consolidated accounts, taking into account the conditions set out in IFRS 10 (Consolidated Financial Statements), the securitization operation is consolidated, insofar as the Group substantially holds the risks and benefits associated with the underlying assets and is able to affect these same risks and benefits.

Ulisses Finance Nr. 3

This securitization operation was created in June 2022 and issued by Tagus - Sociedade de Titularização de Créditos, S.A. and corresponds to a public credit securitization program (Ulisses) with the Ulisses Finance No.3 operation being placed on the market. The operation was set up with the collaboration of “Sociedade de Advogados PLMJ” and “Banco Deutsche Bank”, and included a consumer credit portfolio originated by 321 Crédito, whose initial total amount was 200,000 thousand euros, to be maintained over the 12 months of revolving period.

The structure of the Transaction includes six collateralized Tranches from A to F and additionally tranches G and Z. All tranches are dispersed in the capital market, with the exception of class Z, whose initial value was 1.8 million euros.

This operation obtained ratings from DBRS and Moody's for the tranches placed on the market, that is, Tranches A to G.

The Ulisses Finance No.3 operation has the characteristics of STS (simple, transparent and standardized) and SRT (significant risk transfer).

For the purposes of calculating the capital ratio, as the Ulisses Finance No.3 operation complies with article 244.1 (b) of European Regulation 575/2013 (full capital deduct approched), the company reduced its “Risk Weight Assets” regarding to the contracts securitized within the scope of this operation.

The operation incorporates an interest rate swap, an interest rate risk mitigation mechanism for the operation and its investors, including the Group, but which was not contracted directly by the Group, but by the issuer. of the securitization operation (Tagus – STC, S.A.).

The underlying assets of the Ulisses Finance No.3 operation were not derecognised from the Consolidated Statement of Financial Position, as the Group substantially maintained the risks and rewards associated with their holding.

Additionally, the Group, through 321 Crédito, maintained, as at 31 December 2022, the Fénix operation as the only live unrecognized securitization operation. The Group's involvement in this operation is limited to providing servicing services.

36. Banking clients’ deposits and other loans

As at 31 December 2021 and 31 December 2022, the composition of the heading Banking clients’ deposits and other loans in the **Group** is as follows:

	31.12.2021	31.12.2022
Sight deposits	1,485,969,930	1,608,322,164
Term deposits	223,067,357	184,027,482
Savings deposits	412,474,058	452,980,272
	2,121,511,345	**2,245,329,918**

The above-mentioned amounts relate to Banco CTT clients’ deposits. Savings deposits are deposits associated with current accounts and which allow the client to obtain a remuneration above the slight deposits, which can be mobilized at any time, with no subscription limit, and it is possible to schedule transfers from and for this account. These deposits are different from term deposits as they have a definite date of constitution and maturity, and the savings accounts are fully mobilizable without penalty on remuneration.

In 2022, the average rate of return on customer funds was 0.02% (2021: 0.02%).

As at 31 December 2021 and 31 December 2022, the residual maturity of banking client deposits and other loans, is detailed as follows

	31.12.2021					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	1,898,443,987	—	—	—	—	1,898,443,987
Term deposits	—	106,310,120	116,757,237	—	—	223,067,357
	1,898,443,987	**106,310,120**	**116,757,237**	**—**	**—**	**2,121,511,345**

	31.12.2022					
	No defined maturity	Due within 3 months	Over 3 months and less than 1 year	Over 1 year and less than 3 years	Over 3 years	Total
Sight deposits and saving accounts	2,061,302,436	—	—	—	—	2,061,302,436
Term deposits	—	83,544,873	100,482,609	—	—	184,027,482
	2,061,302,436	**83,544,873**	**100,482,609**	**—**	**—**	**2,245,329,918**

37. Other current liabilities

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** caption Other current liabilities showed the following composition:

	Group		Company	
	31.12.2021	31.12.2022	31.12.2021	31.12.2022
Current				
Estimated holiday pay, holiday subsidy and other remunerations	47,519,381	49,206,004	38,508,973	38,343,840
Estimated supplies and external services	57,988,767	50,938,468	25,633,655	20,585,755
State and other public entities				
Value Added Tax	2,251,768	2,301,090	1,327,747	1,421,195
Personal income tax withholdings	3,026,069	3,710,562	2,365,284	2,893,514
Social Security contributions	4,740,077	4,859,016	3,491,527	3,536,311
Caixa Geral de Aposentações	1,683,889	1,600,731	1,671,242	1,588,739
Local Authority taxes	513,387	530,392	475,075	491,604
Other taxes	866,971	1,014,631	7,000	5,651
Other	4,471	382	2,243	382
	118,594,781	**114,161,276**	**73,482,746**	**68,866,991**

The decrease in “Estimated supplies and external services” caption is mainly due to the implementation of a operational efficiency project in the verification and registration of supplier invoices, which makes it possible to reduce the need for specialization of external supplies and services.

38. Income taxes receivable /payable

As at 31 December 2021 and 31 December 2022 the **Group** and the **Company** heading Income taxes receivable and Income taxes payable showed the following composition:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Current assets				
Corporate income tax	8,268	1,102,700	—	2,244,123
Imposto a pagar	**8,268**	**1,102,700**	**—**	**2,244,123**
Current liabilities				
Corporate income tax	11,611,897	—	9,705,744	—
Imposto a pagar	**11,611,897**	**—**	**9,705,744**	**—**

The **Company's** current assets and current liabilities relative to corporate income tax were calculated as follows:

Company	31.12.2021	31.12.2022
Estimated income tax	(7,689,772)	(5,183,499)
Estimated Group companies' income tax	(7,378,903)	(1,579,986)
Payments on account	4,973,084	8,872,607
Withholding taxes	259,538	363,481
Others	130,309	(228,480)
	(9,705,744)	**2,244,123**

39. Financial assets and liabilities

As at 31 December 2021 and 31 December 2022, the categories of financial assets and liabilities regarding the **Group** were broken down as follows:

Group	31.12.2021 Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	311,684	311,684
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	2,261,947	—	—	2,261,947
Non-current debt securities at fair value through other comprehensive income (Note 14)	—	4,906,841	—	—	—	4,906,841
Non-current debt securities at amortized cost (Note 14)	294,986,658	—	—	—	—	294,986,658
Other non-current assets (Note 24)	1,772,136	—	—	—	—	1,772,136
Non-current credit to bank clients (Note 20)	1,125,984,322	—	—	—	—	1,125,984,322
Other non-current banking financial assets (Note 16)	5,237,710	—	—	—	—	5,237,710
Current accounts receivable (Note 19)	160,930,050	—	—	—	—	160,930,050
Current credit to bank clients (Note 20)	415,924,171	—	—	—	—	415,924,171
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	24,999,138	—	—	24,999,138
Current debt securities at fair value through other comprehensive income (Note 14)	—	1,188,069	—	—	—	1,188,069
Current debt securities at amortized cost (Note 14)	39,173,861	—	—	—	—	39,173,861
Other current assets (Note 24)	21,014,450	—	—	—	47,833,932	68,848,382
Other current banking financial assets (Note 16)	8,550,155	—	—	—	1,171,381	9,721,536
Cash and cash equivalents (Note 23)	877,872,696	—	—	—	—	877,872,696
Total Financial assets	**2,951,446,208**	**6,094,910**	**27,261,086**	**—**	**49,316,997**	**3,034,119,201**
Liabilities						
Non-current debt (Note 31)	—	—	—	149,336,438	—	149,336,438
Non- current debt Securities issued at amortized cost (Note 35)	277,760,616	—	—	—	—	277,760,616
Current accounts payable (Note 34)	—	—	—	330,150,100	20,154,232	350,304,332
Banking client deposits and other loans (Note 36)	2,121,511,345	—	—	—	—	2,121,511,345
Current debt (Note 31)	—	—	—	51,783,012	—	51,783,012
Current debt securities issued at amortized cost (Note 35)	35,137	—	—	—	—	35,137
Other current liabilities (Note 37)	—	—	—	57,993,238	60,601,542	118,594,781
Other current banking financial liabilities (Note 16)	—	—	—	—	26,987,725	26,987,725
Total Financial liabilities	**2,399,307,098**	**—**	**—**	**589,262,788**	**107,743,499**	**3,096,313,385**

Group	31.12.2022 Amortized cost	Fair value through other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	961,394	961,394
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	26,219,905	—	—	26,219,905
Non-current debt securities at amortized cost (Note 14)	409,388,745	—	—	—	—	409,388,745
Other non-current assets (Note 24)	1,177,648	—	—	—	—	1,177,648
Non-current credit to bank clients (Note 20)	1,287,676,223	—	—	—	—	1,287,676,223
Other non-current banking financial assets (Note 16)	961,446	—	—	—	—	961,446
Current accounts receivable (Note 19)	147,130,876	—	—	—	—	147,130,876
Current credit to bank clients (Note 20)	489,888,789	—	—	—	—	489,888,789
Non-current financial assets at fair value through profit or loss (Note 15)	—	—	26,478,525	—	—	26,478,525
Current debt securities at amortized cost (Note 14)	128,391,899	—	—	—	—	128,391,899
Other current assets (Note 24)	10,202,255	—	—	—	66,280,168	76,482,423
Other current banking financial assets (Note 16)	459,242,817	—	—	—	1,983,264	461,226,081
Cash and cash equivalents (Note 23)	456,469,298	—	—	—	—	456,469,298
Total Financial assets	**3,390,529,996**	**—**	**52,698,430**	**—**	**69,224,827**	**3,512,453,253**
Liabilities						
Non-current debt (Note 31)	—	—	—	136,197,923		136,197,923
Non- current debt Securities issued at amortized cost (Note 35)	445,226,206	—	—	—	—	445,226,206
Current accounts payable (Note 34)	—	—	—	491,966,724	33,245,026	525,211,751
Banking client deposits and other loans (Note 36)	2,245,329,918	—	—	—		2,245,329,918
Current debt (Note 31)	—	—	—	59,756,744		59,756,744
Financial liabilities at fair value through profit and losses (note 15)	—	—	26,344,517	—	—	26,344,517
Current debt securities issued at amortized cost (Note 35)	351,654	—	—	—	—	351,654
Other current liabilities (Note 37)	—	—	—	50,938,850	63,222,426	114,161,276
Other current banking financial liabilities (Note 16)	—	—	—	—	46,210,667	46,210,667
Total Financial liabilities	**2,690,907,778**	**—**	**26,344,517**	**738,860,241**	**142,678,120**	**3,598,790,657**

The assets and liabilities fair value, for the captions that differ from the book value, as at 31 December 2021 and 31 December 2022, is analysed as follows:

	31.12.2021		31.12.2022	
	Book value	Fair value	Book value	Fair value
Financial assets				
Credit to bank clients	1,541,908,493	1,541,382,214	1,777,565,012	1,775,576,151
Debt securities - Financial assets at amortized cost	334,160,519	348,481,696	537,780,644	498,547,340
Financial liabilities				
Banking client deposits and other loans	2,121,511,345	2,121,511,345	2,245,329,918	2,280,391,994
Debt Securities issued at amortized cost	277,795,753	277,795,753	445,577,860	438,818,502

The amounts booked as “Debt securities – Financial assets at amortized cost” are fully classified as stage 1.

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on discounted cash flow methods. The generation of cash flow of the different instruments is based on their financial characteristics, and the discount rates used incorporate both the market interest rate curve and the current risk levels of the respective issuer.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model, which necessarily incorporate some degree of subjectivity, and exclusively reflects the value attributed to the different financial instruments.

The **Group** uses the following fair value hierarchy, with three levels in the valuation of financial instruments (assets or liabilities), which reflect the level of judgement, the observability of the data, and the importance of the parameters applied in the determination of the assessment of the fair value of the financial instrument, pursuant to IFRS 13:

Level 1: Fair value is determined based on unadjusted listed prices, captured in transactions in active markets involving financial instruments similar to the instruments to be assessed. Where there is more than one active market for the same financial instrument, the relevant price is that prevailing in the main market of the instrument, or the most advantageous market to which there is access;

Level 2: Fair value is calculated through valuation techniques based on observable data in active markets, whether direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to those that a non-related party would use to estimate the fair value of the same financial instrument. This also includes instruments whose valuation is obtained through listed prices disclosed by independent entities, but whose markets show less liquidity; and,

Level 3: Fair value is determined based on data not observable in active markets, using techniques and assumptions that the market participants would use to assess the same instruments, including hypotheses about the inherent risks, the assessment method and inputs used, entailing process of review of the accuracy of the values obtained in this manner.

The **Group** considers a market active for a particular financial instrument, on the measurement date, according to the turnover and liquidity of the operations carried out, the relative volatility of the listed prices, and the promptness and availability of the information, where the following minimum conditions must be met:

- Existence of frequent daily prices of trading in the last year;
- The prices mentioned above change regularly;
- Existence of enforceable prices of more than one entity.

A parameter used in the valuation method is considered to be observable market data if the following conditions are met:

- If its value is determined in an active market;
- If there is an OTC (over-the-counter) market and it is reasonable to assume that active market conditions are met, except for the condition of trading volumes; and,
- The value of the parameter can be obtained by the inverse calculation of the prices of the financial instruments and/or derivatives where all the other parameters required for the initial assessment are observable in a liquid market or OTC market that complies with the previous paragraphs.

The fair value of the financial assets and liabilities, as at 31 December 2021, is analyzed as follows:

	31.12.2021			
	Valuation methods			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	311,684	311,684
Financial Assets at fair value through profit or losses	—	—	27,261,086	27,261,086
Debt securities at fair value through other comprehensive income	849,374	5,245,536	—	6,094,910
Debt securities at amortized cost	348,099,653	382,043	—	348,481,696
Other non-current assets	—	—	1,144,290	1,144,290
Credit to bank clients	—	—	1,541,382,214	1,541,382,214
Other banking financial assets	—	—	14,959,246	14,959,246
Accounts receivables	—	—	160,930,050	160,930,050
Other current assets	—	—	68,848,382	68,848,382
Cash and cash equivalents	877,872,696	—	—	877,872,696
Total Financial Assets Fair Value	**1,226,821,722**	**5,627,579**	**1,814,836,952**	**3,047,286,254**
Debt	—	—	201,119,450	201,119,450
Other banking financial liabilities	—	304,783,478	—	304,783,478
Accounts payable	—	—	350,304,332	350,304,332
Banking clients' deposits and other loans	—	—	2,121,511,345	2,121,511,345
Other current liabilities	—	—	118,594,781	118,594,781
Total Financial Liabilities Fair Value	**—**	**304,783,478**	**2,791,529,907**	**3,096,313,385**

The fair value of the financial assets and liabilities, as at 31 December 2022, is analyzed as follows:

	31.12.2022			
	Valuation methods			Total
Caption	Level 1	Level 2	Level 3	
Other Investments	—	—	961,394	961,394
Financial Assets at fair value through profit or losses	—	—	52,698,430	52,698,430
Debt securities at amortized cost	498,547,340	—	—	498,547,340
Other non-current assets	—	—	1,177,648	1,177,648
Credit to bank clients	—	—	1,775,576,151	1,775,576,151
Other banking financial assets	—	—	462,187,527	462,187,527
Accounts receivables	—	—	147,130,876	147,130,876
Other current assets	—	—	76,482,423	76,482,423
Cash and cash equivalents	456,469,298	—	—	456,469,298
Total Financial Assets Fair Value	**955,016,638**	**—**	**2,516,214,449**	**3,471,231,086**
Debt	—	—	195,954,667	195,954,667
Debt Securities issued at amortized cost	—	438,818,502	—	438,818,502
Other banking financial liabilities	—	46,210,667	—	46,210,667
Accounts payable	—	—	525,211,751	525,211,751
Banking clients' deposits and other loans	—	—	2,280,391,994	2,280,391,994
Financial liabilities at fair value through profit or losses	26,344,517	—	—	26,344,517
Other current liabilities	—	—	114,161,277	114,161,277
Total Financial Liabilities Fair Value	**26,344,517**	**485,029,169**	**3,115,719,689**	**3,627,093,375**

Sensitivity analysis

The caption “Credit to bank clients” which, as at 31 December 2021, has a fair value of 1,775,576 thousand Euros has a sensitivity of +8,526 thousand Euros and 7,775 thousand Euros for an interest rate change of - 10% and +10%, respectively.

The main methods and assumptions used to estimate the fair value of the financial assets and liabilities recorded in the balanced sheet are analysed as follows:

Cash and Cash Equivalents

These financial instruments are very short-term, so, their book value is a reasonable estimate of the fair value.

Financial Assets at Amortized Cost

The fair value is estimated based on the expected future principal and interest cash flows for these instruments.

Loans and Advances to Customers

The fair value determination, by credit type, is detailed as follows:

Credits to customers with defined maturity

Fair value is calculated by discounting, at the average rates of December production, the expected cash flows over the life of the contracts, considering historical prepayment rates.

Credits to customers at defined maturity

Given the short term of this type of instrument, the conditions of this portfolio are similar to those practiced on the reporting date, so its balance sheet value is considered a reasonable estimate of its fair value.

Financial assets at fair value through profit or loss (except derivatives)

These financial assets are accounted at fair value. Fair value is based on market quotations, when available. If they do not exist, the fair value calculation is based on i) the use of numerical models, namely based on the update of the expected future cash flows of capital and interest for these instruments or ii) on the NAV (Net Asset Value) provided by companies fund managers.

Financial assets at fair value through profit or loss (Derivatives)

All derivatives are accounted for at fair value. In the case of those listed on organized markets, the respective market price is used. In the case of OTC (over-the-counter) derivatives, numerical models based on cash flow discounting techniques and option valuation models considering market and other variables are applied.

Financial assets at fair value through other comprehensive income

The fair value of these instruments is estimated based on market quotations, when available. If they do not exist, the fair value is estimated based on the update of the expected future cash flows of principal and interest for these instruments.

Other banking financial liabilities

These financial instruments are very short-term; hence, their book value is a reasonable estimate of their fair value.

Banking clients' deposits and other loans

The fair value of these financial instruments is estimated based on the discounted expected principal and interest cash flows. The discount rate used is that which reflects the rates applied for deposits with similar features on the reporting date. Considering that the applicable interest rates are renewed for periods less than one year, there are no materially relevant differences in their fair value.

Debt securities issued

The fair value of these instruments is estimated based on market quotations, when available. If they do not exist, the fair value is estimated based on the update of the expected future cash flows of principal and interest for these instruments.

Regarding the **Company,** as at 31 December 2020 and 31 December 2021, the categories of financial assets and liabilities were broken down as follows:

Company	31.12.2021 Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)		—	—	—	6,394	6,394
Non-current Group Companies (Note 53)	52,530,000	—	—	—	—	52,530,000
Non-current accounts receivable (Note 19)	587,308	—	—	—	—	587,308
Other non-current assets (Note 24)	1,144,290	—	—	—	—	1,144,290
Current accounts receivable (Note 19)	112,775,176	—	—	—	—	112,775,176
Current Group Companies (Note 53)	7,437,805	—	—	—	—	7,437,805
Other current assets (Note 24)	16,121,401	—	—	—	31,243,740	47,365,141
Cash and cash equivalents (Note 23)	189,794,106	—	—	—	—	189,794,106
Total Financial assets	**380,390,087**	**—**	**—**		**31,250,134**	**411,640,221**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	112,714,883	—	112,714,883
Current accounts payable (Note 34)	—	—	—	298,238,356	14,270,120	312,508,476
Group Companies (Note 53)	—	—	—	11,796,267	11,755,580	23,551,847
Current debt (Note 31)	—	—	—	34,942,393	—	34,942,393
Other current liabilities (Note 37)	—	—	—	25,635,898	47,846,848	73,482,746
Total Financial liabilities	**—**	**—**	**—**	**471,840,536**	**85,668,815**	**557,509,351**

Company	31.12.2022					
	Amortized cost	Fair value through Other comprehensive income	Fair value through Profit and Loss	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Other investments (Note 13)	—	—	—	—	6,394	6,394
Non-current Group Companies (Note 53)	50,430,000	—	—	—	—	50,430,000
Non-current accounts receivable (Note 19)	617,421	—	—	—	—	617,421
Other non-current assets (Note 24)	463,657	—	—	—	—	463,657
Current accounts receivable (Note 19)	98,063,438	—	—	—	—	98,063,438
Current Group Companies (Note 53)	305,671	—	—	—	—	305,671
Other current assets (Note 24)	7,142,008	—	—	—	25,958,518	33,100,526
Cash and cash equivalents (Note 23)	330,100,458	—	—	—	—	330,100,458
Total Financial assets	**487,122,653**	**—**	**—**		**25,964,912**	**513,087,565**
Liabilities						
Non-curent accounts payable (Note 34)	—	—	—	309,007	—	309,007
Non-current debt (Note 31)	—	—	—	85,259,168	—	85,259,168
Current accounts payable (Note 34)	—	—	—	458,593,234	25,178,307	483,771,541
Group Companies (Note 53)	—	—	—	12,412,010	832,396	13,244,406
Current debt (Note 31)	—	—	—	42,948,290	—	42,948,290
Other current liabilities (Note 37)	—	—	—	20,586,137	48,280,854	68,866,991
Total Financial liabilities	**—**	**—**	**—**	**620,107,846**	**74,291,557**	**694,399,403**

The **Company** believes that, due to the nature of its financial assets and liabilities, the fair value of financial assets and liabilities is similar to its book value.

40. Subsidies obtained

As at 31 December 2021 and 31 December 2022, the information regarding subsidies or grants obtained (Note 2.24) to the **Group** and the **Company** was as follows:

	2021									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,603,026	283,289	9,868,022	9,714,706	153,316	9,584,733	283,289
Operating subsidy	921,777	786,190	135,587	784,295	137,482	177,045	177,045	—	177,045	—
	10,808,092	**10,519,189**	**288,903**	**10,387,321**	**420,771**	**10,045,067**	**9,891,751**	**153,316**	**9,761,779**	**283,289**

	2022									
	Group					Company				
	Attributed value	Value received	Value to be received	Accumulated income	Value to be used	Attributed value	Value received	Value not received	Accumulated revenues	Value to be used
Investment subsidy	9,886,315	9,732,999	153,316	9,614,227	272,088	9,868,022	9,714,706	153,316	9,595,935	272,088
Operating subsidy	1,141,824	965,151	176,673	977,468	164,357	177,045	177,045	—	177,045	—
	11,028,139	**10,698,150**	**329,989**	**10,591,695**	**436,445**	**10,045,067**	**9,891,751**	**153,316**	**9,772,980**	**272,088**

The amounts received as investment subsidy – FEDER - are recognized in the income statement, under the heading Other operating income, as the corresponding assets are amortized.

The financial contribution of the Instituto do Emprego e da Formação Profissional, I.P. (“Institute of Employment and Professional Training”) (“IEFP”), received under the Employment Internships Program configures the typology of Grants related to income or operational expenses and is recognized as revenue in the same period of the related expense.

The caption of operating subsidies, also, includes an amount related to the application to the Converte+ program, referring to the subsidiary NewSpring Services, in which the **Group** benefited from a subsidy from the IEFP in the amount of around 600 thousand Euros. This measure consists of a transitional support for the conversion of fixed-term employment contracts into permanent contracts, through the granting of financial support to the employer and is conditioned to the fulfillment for 2 years of maintaining the level of employability that was defined on the date of deferral of the candidacy.

The amounts received were initially deferred (Note 21) and transferred to the income statement to the caption Other operating income, to the extent that the expenses were recognized.

41. Sales and services rendered

For the years ended 31 December 2021 and 31 December 2022, the significant categories of the **Company** revenue were as follows:

Company	2021	2022
Sales	23,186,919	20,782,410
Mail services rendered	394,283,977	374,492,093
Postal financial services	37,158,046	48,393,416
Electronic vehicle identification devices	4,492,874	5,209,273
Other services	15,934,691	17,152,434
	475,056,506	**466,029,627**

The main changes in the caption “Sales and services rendered” compared to the previous year, are explained in note 4 – Segment Reporting. The details of the **Group**'s sales and services rendered are presented in note 4.

Other services fundamentally concern:

	2021	2022
Photocopies Certification	223,170	223,978
Reg. Aut. Madeira and Azores transport allowance	612,646	1,045,847
Others Philately	117,698	147,158
Costums presentation tax	2,109,514	982,912
Corfax	13,516	9,155
Non-adressed mail	215,310	161,373
Digital mailRoom	604,081	761,341
Printing & Finishing	6,944,911	7,411,834
BPO Services and other business solutions	3,050,459	4,008,658
Via CTT	972,679	1,119,218
Other miscellaneous services	1,070,706	1,280,960
	15,934,691	**17,152,434**

In the periods ended 31 December 2021 and 31 December 2022, there are no variable components associated with contracts with customers with associated uncertainty.

42. Financial margin

As at 31 December 2021 and 31 December 2022, the composition of the **Group** heading Financial margin was as follows:

Group	2021	2022
Interest and similar income calculated using the effective interest method	**57,815,005**	**80,959,814**
Interest on loans and advances to credit institutions repayable on demand	—	168,799
Interest on financial assets at amortized cost		
Loans and advances to credit institutions	282,191	1,982,621
Loans and advances to customers	51,972,435	72,710,873
Debt securities	5,460,670	6,002,276
Interest on financial assets at fair value through other comprehensive income		
Debt securities	101,504	34,194
Other interest	(1,795)	61,051
Interest expense and similar charges	**2,038,640**	**6,602,423**
Interest on financial liabilities at amortized cost		
Resources from credit institutions	1,409	477
Resources from customers	471,639	492,703
Debt securities issued	527,689	4,877,342
Interest on deposits at the Bank of Portugal (assets)	1,000,108	1,202,125
Other interest	37,795	29,776
	55,776,365	**74,357,391**

The caption Interest and similar income for the year ended 31 December 2022 includes the amount of 2,034 thousand Euros related to impaired financial assets - Stage 3 (2021: 2,229 thousand Euros).

The caption Interest on loans and advances to customers includes the amount of (11,943) thousand Euros (2021: (9,689) thousand Euros) related to commissions and other costs and income recorded in accordance with the effective interest rate method, as referred to in the accounting policy described in note 2.23.

The caption Interest on deposits with the Bank of Portugal (assets) has a value of 1,202 thousand Euros (2021: 19 thousand Euros) which represents interest expenses for amounts deposited with the

Central Bank that exceed the minimum mandatory reserves. As of the reserve counting period started on 30 October 2019, the ECB introduced the tiering regime, in which the balance with the Central Bank in excess of the minimum cash reserves, up to a calculated maximum of 6 times the reserves, is remunerated at a rate that is the minimum between the deposit facility rate and 0%. This tiering regime ceased to apply on 27 July 2022, following the Governing Council's decision to increase the deposit facility rate to a non-negative amount.

43. Other operating income

For the years ended 31 December 2021 and 31 December 2022, the composition of the **Group** and the **Company** heading Other operating income was as follows:

	Group		Company	
	2021	2022	2021	2022
Supplementary revenues	2,609,543	2,671,531	46,099,719	45,603,519
Early settlement discounts received	99,526	39,221	9,544	4,068
Gains inventories	55,829	30,754	55,669	30,635
Favourable exchange rate differences of assets and liabilities other than financing	944,311	720,403	877,298	685,912
Income from financial investments	1,112,295	1,907,268	1,037,304	1,973,894
Income from non-financial investments	1,126	81	—	—
Income from fees and commissions	21,792,966	26,929,487	—	—
Interest income and expenses - financial services	9,832	51,832	9,832	51,832
VAT adjustments	2,330,413	2,377,721	2,330,413	2,377,721
Other	5,410,659	8,957,572	1,309,846	2,252,524
	34,366,502	**43,685,870**	**51,729,627**	**52,980,104**

The amount related to VAT adjustments mainly results from the additional VAT deduction methodology that the Company implemented in previous years and which it maintains, and from the determination of the definitive pro-rata for the 2022 financial year.

In the Group, the caption “Others” essentially reflects: i) 1,930 thousand euros related to the compensation due by Universo, IME, S.A. within the scope of the agreement for termination of the Universo partnership, to be liquidated upon the end of the partnership (note 20); and ii) amounts related to the reimbursement of expenses and the recovery of credits classified as bad debt and settlement of accounts payable outstanding balances whose payment is no longer probable.

In the **Group** the caption “Income from fees and commissions” is detailed as follows:

Group	2021	2022
Income from fees and commissions		
From banking services	14,057,799	16,514,705
From credit intermediation services	1,766,432	2,741,298
From insurance mediation services	5,968,735	7,673,484
	21,792,966	**26,929,487**

Regarding the **Company,** the caption Supplementary revenues fundamentally relates to:

Company	2021	2022
Royalties	500,000	500,000
Services rendered to Group companies [(1)]	42,726,501	42,001,151
Rental of spaces in urban buildings	1,679,534	1,852,655
Other	1,193,684	1,249,712
	46,099,719	**45,603,519**

[(1)] Includes subsidiary, associated and joint-ventures companies.

44. External supplies and services

For the years ended 31 December 2021 and 31 December 2022, the composition of the **Group** and the **Company** heading External supplies and services was as follows:

	Group		Company	
	2021	2022	2021	2022
Subcontracts	17,212,558	16,280,467	1,347,610	2,369,322
Specialised services	75,260,219	82,679,608	29,448,610	32,069,759
Specialized services rendered by Group companies [(1)]	58,775	—	2,595,904	2,943,460
Materials	2,603,714	3,058,618	1,875,517	2,003,916
Energy and fuel	14,862,519	16,007,660	12,970,376	13,422,286
Staff transportation	119,249	87,509	116,422	86,463
Transportation of goods	138,880,459	142,545,571	16,702,484	15,412,648
Rents				
Vehicle operational lease	2,121,573	2,099,923	1,643,371	1,644,582
Other rental charge	6,488,959	9,332,365	4,466,043	7,509,041
Communication	1,564,581	1,457,383	228,335	230,069
Insurance	2,330,606	2,838,243	729,773	847,444
Litigation and notary	196,453	369,911	80,268	187,472
Cleaning, hygiene and confort	5,525,824	5,712,543	4,141,505	4,185,678
Postal Agencies	8,872,263	9,726,653	8,882,728	9,736,384
Postal operators	27,179,202	26,157,712	26,073,128	24,712,238
Delivery subcontracting	5,252,497	4,573,504	5,252,497	4,573,504
Other services	22,021,241	20,288,363	10,342,128	8,951,021
Other services rendered by Group companies [(1)]	—	—	6,277,220	6,065,516
Fornecimentos e serviços externos	**330,550,693**	**343,216,032**	**133,173,920**	**136,950,803**

[(1)] Includes subsidiary, associated and joint-ventures companies.

(i) Specialized services refer to the outsourcing contracts for the provision of IT services, the maintenance of IT equipment and external consultants. The change in this item is mainly explained by the group's greater commitment to strategic advisory work for the optimization of processes, as well as the increase in expenses at CTT Express Spain, due to the increase in activity;

(ii) Energy and fuel refer mainly to diesel for vehicles used in the operating process;

(iii) Transportation of goods refers to costs with the transportation of mail and express in several ways (sea, air, surface). The increase in this caption is mainly explained by the growth of “Express and Parcels” segment and the increase in fuel prices;

(iv) “Other Rental changes” essentially refer to the rental of software and other equipment whose contracts did not comply with the requirements of IFRS 16. The increase in this item is mainly related to the increase in software rental. Regarding “Vehicle operational lease” the amount recognized refers to the part that exceeds the minimum guaranteed rent which, as provided for in IFRS 16, should not be considered in the right of use; and

(v) Postal operators refer to costs with peer postal operators.

45. Staff costs

During the years ended 31 December 2021 and 31 December 2022, the composition of the **Group** and the **Company** caption Staff Costs was as follows:

	Group		Company	
	2021	2022	2021	2022
Remuneration	272,297,600	277,913,231	224,055,241	220,308,356
Employee benefits	6,539,004	8,441,277	6,503,831	8,406,152
Indemnities	10,075,355	1,506,216	9,695,786	589,718
Social Security charges	58,353,772	58,635,785	48,273,749	46,759,438
Occupational accident and health insurance	3,765,914	3,813,537	3,396,869	3,399,941
Social welfare costs	6,844,914	7,614,223	6,211,816	6,871,878
Other staff costs	136,256	312,825	153	306
	358,012,815	**358,237,092**	**298,137,445**	**286,335,789**

Remuneration of the statutory bodies of CTT, S.A.

As at 31 December 2021 and 31 December 2022, the fixed and variable remunerations attributed to the members of the statutory bodies of CTT, SA, were as follows:

	2021				
Company	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,642,752	141,429	19,800	14,000	2,817,981
Annual variable remuneration	1,447,419	—	—	—	1,447,419
	4,090,171	**141,429**	**19,800**	**14,000**	**4,265,400**
Short-term remuneration					
Fixed remuneration	201,417	—	—	—	201,417
Annual variable remuneration	698,408	—	—	—	698,408
	899,825	**—**	**—**	**—**	**899,825**
	4,989,996	**141,429**	**19,800**	**14,000**	**5,165,225**

Company	2022				
	Board of Directors	Audit Comittee	Remuneration Board	General Meeting of Shareholders	Total
Short-term remuneration					
Fixed remuneration	2,598,642	153,214	19,800	14,000	2,785,656
Annual variable remuneration	1,492,467	—	—	—	1,492,467
	4,091,109	**153,214**	**19,800**	**14,000**	**4,278,123**
Short-term remuneration					
Fixed remuneration	197,700	—	—	—	197,700
Annual variable remuneration	668,153	—	—	—	668,153
	865,853	**—**	**—**	**—**	**865,853**
	4,956,962	**153,214**	**19,800**	**14,000**	**5,143,976**

Long-term variable remuneration (“LTVR”)

The Long-term variable remuneration model for the 2020/2022 term of office is based on the participation of the executive Directors in the Options Plan, which is set out in the remuneration policy proposal approved by the Annual General Meeting of 21 April 2021 and based on the proposal of the Remuneration Committee.

Similarly, the Board of Directors put in place a Options Plan program addressed to CTT’s top management, using the same terms of the program approved for the governing bodies members.

The Options Plan mentioned provides for the following main rules applicable to the allocation and exercise of the options and the financial settlement, and delivery and retention of the shares within the LTVR:

a. The Options Plan regulates the allocation to its participants of options which confer the right to allocate shares representing CTT's share capital, subject to certain conditions applicable to the exercise and settlement of the options;

b. The Options Plan sets out the number of options allocated that may be exercised by the Plan’s participants (the CEO, the CFO, the remaining executive Directors and the Top Manager), according to the table forward, the date of attribution corresponding to the date of the referred plan’s approval at the General Meeting;

c. The Options Plan sets five tranches of options that differ only by their different exercise price or strike price, as shown in the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price	
	CEO	CFO	Other executive administrators		
1	700,000	400,000	300,000	€	3.00
2	700,000	400,000	300,000	€	5.00
3	700,000	400,000	300,000	€	7.50
4	700,000	400,000	300,000	€	10.00
5	700,000	400,000	300,000	€	12.50

In the case of the Top Management, the Board of Directors approved the attribution of a global number of 1,200,000 options, subject to the conditions defined for the governing bodies.

d. The exercise date of all the options is 1 January 2023, given the end of the 3-year term of office 2020/2022;

e. The number of CTT shares eventually to be awarded to the participants (via physical or financial settlement pursuant to the terms of the Options Plan), following the automatic exercise of the options on the exercise date as foreseen on the Options Plan, depends on the difference between the exercise price (strike price) and the Share Price (i.e., the average price, weighted by the trading volume, of the Company's shares traded on the Euronext Lisbon regulated market in the sessions carried out in the 45 days prior to the exercise date, i.e., on 1 January 2023) and results from the application of the following formula:

   No. of Shares = No. of Options Exercised x [(Share Price - Exercise Price (Strike Price)) / Share Price)]

   Thus, subject to the eligibility conditions and the retention mechanism referred below, each participant is entitled to receive the total number of CTT shares resulting from the sum of the number of shares due for each tranche, calculated according to the referred formula.

f. The Executive Committee Options Plan provides for the financial settlement of 25% of the options (net cash settlement) and the physical settlement of 75% of the options (equity settlement), without prejudice to, exceptionally and in a scenario where the number of own shares held by CTT is not sufficient, determining that the Remuneration Committee establishes a compensation mechanism through the allocation of a cash amount and financial settlement of the options whose physical settlement is not possible. The plan for CTT's Top Management provides for the physical settlement of 100% of the options;

g. In the event that shares are granted depending on stock market performance and the Company's positive performance as defined in the plan, the options will be subject to settlement over the deferral/retention period;

h. 50% of the LTVR is settled on the fifth trading day immediately following the date of the annual general meeting of the Company approving the accounts for the 2022 financial year to be held in 2023, subject to verification of positive performance with respect to each of the 2021 and 2022 financial years, half by way of financial settlement in cash, in the case of the Executive Committee, (i.e. 25% of the options on a pro rata basis with respect to each of its 5 tranches) and the other half (i.e. 25% of the options also on a pro rata basis with respect to each of its 5 tranches) by way of physical settlement through the delivery of CTT shares. In the case of Top Management, the 50% of the LTVR settled on this date will be settled through the physical delivery of CTT shares;

i. The remaining 50% of the LTVR (i.e. 50% of the options equally on a pro rata basis with respect to each of its 5 tranches) are settled through the delivery of CTT shares (physical settlement), in 2 tranches of 1/2 of the shares retained, respectively: (i) on the fifth trading day immediately following the end of the month after the date of approval of the accounts relating to financial year 2023 at an annual general meeting of the Company to be held in 2024, or on 31 May 2024 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2023; and (ii) on the fifth trading day immediately following the end of the month after the date of approval of the accounts for the financial year 2024 at an annual general meeting of the Company to be held in 2025, or on 31 May 2025 (whichever date occurs later) and subject to the positive performance of the Company in each of the financial years 2021 to 2024, respectively for each tranche.

j. The exercise of the options and their settlement are also subject to the eligibility conditions, namely, remaining in office during the term of office by rule, absence of situations of material non-compliance with the Options Plan, and no situations giving rise to the application of the adjustment mechanisms);

On the grant date, the fair value of the options granted was determined through a study carried out by an independent entity on the grant date. The model used for the valuation of the stock plan was the Monte Carlo simulation model.

The amount related to the share plan recognized as at 31 December 2021 regarding members of the Statutory Bodies and top management, amounted to 1,626,429 Euros, with the financial settlement component, recognized under the caption “Employee benefits”, in the amount of 411,431 Euros and the component of settlement in equity instruments recognized under the caption “Other reserves”, in the amount of 1,215,000 Euros (note 27).

As mentioned in note 2.15, for the financial settlement component, the liability amount is updated at the end of each reporting period, depending on the number of shares or share options awarded and their fair value at the reporting date, based on in a study carried out by an independent entity. The liability amount determined in the study on 31 December 2022 amounted to 179,583 Euros (Note 32), which resulted in the reversal of an amount of 231,847 Euros in the Staff Costs caption.

In the period ended 31 December 2022, the amount recognized in staff costs amounted to 1,388,153 Euros, of which (231,847) Euros corresponds to the cash settlement component (Note 32) and 1,620,000 Euros corresponds to the equity instrument settlement component (Note 27).

Taking into account the end of the three-year term of office 2020/2022, the Remuneration Committee, in accordance with the Options Plan, has determined, on 1 January 2023, the number of shares to be attributed to each participant as LTVR (which attribution and settlement being subject to the rules set out in the Options Plan, described above). This determination was made through a study carried out by an independent entity.

For this purpose, the Share Price was calculated, based on the criteria described above, with the value of 3.168647 Euros was set as the value of the share for the purposes of the final calculation of the shares to be attributed.

In accordance with point 5.4.1 of the Options Plan, the Remuneration Committee determined that the Strike Prices shown in the table above should be adjusted to the distribution of dividends during 2021 and 2022, in accordance with the following formula:

Adjusted Strike Price = Previous Strike Price - shareholder remuneration per Company share x (1 - % of treasury shares of the Company)

According to the formula above, the adjusted Strike Prices corresponding to each tranche were updated in accordance with the table below:

Tranche	Number of options - per participant			Exercise Price or Strike Price
	CEO	CFO	Other executive administrators	
1	700,000	400,000	300,000	€ 2.799139
2	700,000	400,000	300,000	€ 4.799139
3	700,000	400,000	300,000	€ 7.799139
4	700,000	400,000	300,000	€ 9.799139
5	700,000	400,000	300,000	€ 12.299139

In accordance with the conditions of the Options Plan, and taking the Share Price of 3,168647 Euros mentioned above as a reference, only the Exercise Price (Strike Price) of the first tranche was taken into account, since the Share Price did not reach the Exercise Price (Strike Price) of the second tranche. Thus, the following formula was applied to determine the number of shares:

(Share Price – Strike Price) / Share Price = (3,168647 - 2,799139) / 3,168647 = 0.116614

Considering the above, each option was entitled to the attribution of 0.116614 shares which, multiplied by the number of options attributed to each participant, gave rise to the attribution of the following number of shares to each participant by way of LTVR:

Participant	CEO	CFO	Other executive directors (three members)	Total
Shares	81,629	46,645	104,949	233,226

In the case of Top Management, a total of 139,937 shares to be awarded were calculated.

As mentioned above, the Option Plan provides the financial settlement of 25% of the shares awarded (net cash settlement) and the physical settlement of 75% of these shares (net share settlement), 50% of the shares awarded as LTVR will be settled in the fifth trading day immediately following the date of the Company's Annual General Meeting that will approve the accounts for the 2022 financial year, which will be held on 20 April 2023, half by way of financial settlement in cash and the other half way through physical settlement through the delivery of CTT shares to participants, subject to the aforementioned eligibility conditions, to be determined by the Remuneration Committee. The remaining 50% of the allocated shares are subject to the deferral and retention mechanisms explained above.

In the period ended 31 December 2021, the amount of 1,447,419 Euros was recognized as an estimated annual variable remuneration for members of the Governing Bodies. In 2022, the determination of the final amount to be settled was carried out, with 50% of the amount having already been settled, as stipulated in the Remuneration Regulation.

In the period ended 31 December 2022, the amount of 1,492,467 Euros was recognized as an estimated annual variable remuneration for members of the Governing Bodies.

Indemnities

In 2021, the caption "Indemnities" included the amount of 9,341,409 Euros in the **Group** and 9,265,000 Euros in the **Company** related to a Suspension Agreement program carried out within the scope of the restructuring process explained in major detail in note 33 – Provisions, Guarantees provided, Contingent liabilities. This amount justifies the decrease in the item in 2022.

As at 31 December 2021 and 31 December 2022, the **Group** and the **Company** heading Staff costs includes the amounts of 555,648 Euros and 605,946 Euros, respectively, related to expenses with workers' representative bodies.

For the year ended 31 December 2022, the average number of staff of the **Group** and the **Company** was 12,665 and 10,051 employees, respectively, (12,328 and 10,343 employees employees in the year ended 31 December 2021).

As at 31 December 2021 and 31 December 2022, the **Company** incurred in staff costs in a global amount of 238,334 Euros and 185,103 Euros, respectively, related to employees assigned to Fundação Portuguesa de Comunicações (Portuguese Communications Foundation).

46. Impairment of accounts receivable and Impairment of other financial banking assets

For the years ended 31 December 2021 and 31 December 2022, the detail of Impairment of accounts receivable, net and Impairment of other financial banking assets, net of the **Group** and the **Company** was as follows:

	Group		Company	
	2021	**2022**	**2021**	**2022**
Impairment of accounts receivable				
Impariment losses				
Accounts receivable	4,209,818	3,835,005	521,584	984,939
Other current and non-current assets	995,992	1,796,674	899,656	1,686,929
Slight and term deposits	11,433	1,715	11,354	1,696
	5,217,243	5,633,394	1,432,594	2,673,564
Reversals of impairment losses				
Accounts receivable	2,588,328	1,641,407	200,000	1,267,331
Other current and non-current assets	267,494	303,789	226,980	299,880
Slight and term deposits	4,028	18,711	3,666	18,499
	2,859,849	1,963,907	430,646	1,585,710
Bad debts	257,271	222,635	113,677	149,590
Net movement of the period	**(2,614,663)**	**(3,892,122)**	**(1,115,625)**	**(1,237,446)**
Impairment of other financial banking assets				
Impariment losses				
Debt securities at amortized cost	35,109	42,165	—	—
Other banking financial assets	31,536	53,135	—	—
Credit to banking clients	29,308,011	42,592,906	—	—
	29,374,656	42,688,206	—	—
Reversals of impairment losses				
Debt securities at fair value through other comprehensive income	6,235	3,194	—	—
Debt securities at amortized cost	96,595	31,068	—	—
Other banking financial assets	47,587	7,637	—	—
Credit to banking clients	15,174,010	17,874,204	—	—
	15,324,427	17,916,103	—	
Net movement of the period	**(14,050,228)**	**(24,772,102)**	**—**	**—**
	(16,664,893)	**(28,664,224)**	**(1,115,625)**	**(1,237,446)**

47. Depreciation/amortization (losses/ reversals)

For the years ended 31 December 2021 and 31 December 2022, the detail of Depreciation/ amortization and impairment losses, net, regarding the **Group** and the **Company** was as follows:

	Group		Company	
	2021	2022	2021	2022
Tangible fixed assets				
Depreciation (Note 5)	44,842,534	48,607,942	34,685,940	34,588,766
Impairment losses (Note 5)	—	3,632,667	—	3,632,667
Intangible assets				
Amortization (Note 6)	13,062,708	16,265,834	4,671,549	6,141,294
Impairment losses (Note 6)	60,617	—	—	—
Investment properties				
Depreciation (Note 7)	216,293	210,263	216,293	210,263
Impairment losses (Note 7)	(57,372)	(139,754)	(57,372)	(139,754)
Non-current assets held for sale				
Impairment losses (Note 25)	(118,338)	(163,803)	—	—
	58,006,442	**68,413,148**	**39,516,410**	**44,433,236**

48. Net gains/ (losses) of financial banking assets and liabilities

In the periods ended 31 December 2021 and 31 December 2022, the detail of "Net gains/ (losses) of financial banking assets and liabilities related to the **Group** is detailed as follows:

	2021	2022
Net gains/(losses) of assets and liabilities at fair value through profit or loss	1,101,005	11,110,025
Net gains/(losses) of other financial assets at fair value through other comprehensive income	—	(1,486)
Gains / (losses) on derecognition of financial assets and liabilities at amortized cost	17,776,526	—
	18,877,531	**11,108,539**

During 2021, the **Grou**p sold securities at amortized cost, which resulted in a gain of 17,777 thousand Euros. These securities sales' resulted from the Group's balance sheet management in the context of entering a new business segment (credit cards) resulting from the partnership with Unverso, IME, S.A.. In 2022, the Group did not sell securities at amortized cost.

As at 31 December 2022, results from assets and liabilities at fair value through profit or loss refer to the change in the fair value of derivatives associated with securitization operations Ulisses Finance No.1, Ulisses Finance No.2 and Ulisses Finance No.3.

49. Other operating costs

For the years ended 31 December 2021 and 31 December 2022, the breakdown of the **Group** and the **Company** heading Other operating costs was as follows:

	Group		Company	
	2021	2022	2021	2022
Taxes and other fees	2,981,080	2,951,755	2,077,016	1,960,964
Losses in inventories	133,641	54,817	133,260	54,812
Expenses and losses on financial investments	—	3,586	—	—
Unfavourable exhange rate differences of assets	1,274,954	771,604	1,270,487	739,186
Donations	539,088	639,368	536,756	626,114
Banking services	4,337,757	5,271,904	4,061,786	4,907,746
Interest on arrears	19,282	34,420	18,359	24,188
Subscriptions	787,676	841,926	706,383	756,987
Expenses of fees and commissions	3,951,546	4,530,171	—	—
Deposits Guarantee Fund/Resolution unified Fund	235,035	350,800	—	—
Indemnities	662,575	482,028	524,942	372,023
Other costs	3,153,028	4,254,913	319,994	1,162,263
	18,075,662	**20,187,292**	**9,648,982**	**10,604,283**

The caption “Taxes and other fees” in the **Group** includes the amounts of 1,406,284 Euros and 1,342,225 Euros, for the years ended 31 December 2021 and 31 December 2022, respectively, relating to ANACOM fees.

The caption "Deposits Guarantee Fund/ Resolution unified Fund" essentially includes:

a) The amounts of 184,903 Euros and 269,623 Euros as at 31 December 2021 and 31 December 2022, respectively, related to the Contribution for the single resolution fund under the Unique Resolution Mechanism and in accordance with paragraph 2 of Article 70 of Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014;
b) The amounts of 46,597 Euros and 54,303 Euros as at 31 December 2021 and 31 December 2022, respectively, of periodic contributions that must be paid to the Resolution Fund, as set forth in Decree-Law no. 24/2013.

The periodic contributions for the Resolution Fund are calculated according to a basic rate applicable every year, determined by Banco de Portugal, by instruction, which can be adjusted according to the institution's risk profile, on the objective basis of assessment of these contributions. The periodic contributions are incident on the liabilities of the institutions participating in the Fund, defined under the terms of article 10 of the aforesaid Decree-Law, minus the liability items that are part of the of the core own funds (Tier 1 Capital), supplementary own funds (Tier 2 Capital) and deposits covered by the Deposit Guarantee Fund.

The Single Supervisory Mechanism (SSM) is one of the three pillars of the Banking Union (the Single Supervisory Mechanism, the Single Resolution Mechanism and a Common System for Deposit Protection). The SSM model distinguishes between significant credit institutions (under direct supervision of the ECB) and less significant credit institutions (under indirect supervision of the ECB and direct supervision of the competent national authorities, with articulation and reporting to the ECB), based on quantitative and qualitative criteria. Banco CTT is classified as a Less Significant Entity (LSE).

The "Contribution of the banking sector" is calculated in accordance with the provisions in Law 55-A/2010, with the amount determined based on: (i) the annual average liability stated on the balance sheet, minus core own funds (Tier 1 Capital) and supplementary own funds (Tier 2 Capital) and the deposits covered by the Deposit Guarantee Fund; and (ii) the notional value of the derivative financial instruments. For the year ended at 31 December 2021 and 31 December 2022, these amounts were, respectively, 126,594 Euros and 157,910 Euros and are booked under the caption "Taxes and other fees".

The caption "Expenses of fees and commissions" is detailed as follows:

Group	2021	2022
Expenses of fees and commissions		
From banking services	3,805,026	4,392,533
From securities operations	116,896	107,754
From other services	29,623	29,884
	3,951,545	**4,530,171**

50. Gains/losses on disposal/ remeasurement of assets

For the years ended 31 December 2021 and 31 December 2022, the heading Gains/losses on disposal/ remeasurement of assets of the **Group** and the **Company** had the following detail:

	Group		Company	
	2021	2022	2021	2022
Losses on disposal of assets	(215,725)	(238,415)	(134,534)	(228)
Gains on disposal of assets	1,172,263	3,806,691	1,121,864	3,701,218
	956,539	**3,568,276**	**987,331**	**3,700,990**

The amounts recorded as gains from the disposal of assets essentially relate to the remeasurement of the right of use associated with the lease agreement of the former CTT headquarters building - Edifício Báltico, as explained in detail in note 5.

51. Interest expenses and Interest income

For the years ended 31 December 2021 and 31 December 2022, the heading Interest Expenses of the **Group** and the **Company** had the following detail:

	Group		Company	
	2021	2022	2021	2022
Interest expenses				
Bank loans	1,724,653	1,702,759	1,645,907	1,659,763
Lease liabilities	3,066,925	3,167,709	1,853,571	1,468,414
Other interest	18,434	183,227	18,434	307,827
Interest costs from employee benefits (Note 32)	3,586,189	3,895,135	3,560,938	3,867,819
Other interest costs	136,212	307,517	89,132	152,281
	8,532,413	**9,256,346**	**7,167,982**	**7,456,104**

During the years ended 31 December 2021 and 31 December 2022, the **Group** and the **Company** heading Interest income was detailed as follows:

	Group		Company	
	2021	**2022**	**2021**	**2022**
Interest income				
Deposits in credit institutions	19,048	30,127	116	13,316
Loans to Group companies (1)	—	—	852,110	1,324,164
Other supplementary income	6,346	—	—	—
	25,394	**30,127**	**852,226**	**1,337,480**

(1) Includes subsidiary, associated and joint-ventures companies.

Income tax for the period

GRI 201-1, 207-1, 207-2, 207-4

Companies with head office in Portugal are subject to tax on their profit through Corporate Income Tax ("IRC") at the normal tax rate of 21%, whilst the municipal tax is established at a maximum rate of 1.5% of taxable profit, and State surcharge is 3% of taxable profit between 1,500,000 Euros and 7,500,00 Euros, 5% of taxable profit between 7,500,000 and to 35,000,000 Euros and 9% of the taxable profit above 35,000,000 Euros. CTT – Expresso, S.A., Spain branch is subject to income taxes in Spain, through income tax (Impuesto sobre Sociedades - "IS") at a rate of 25%, and the subsidiary CORRE is subject to corporate income tax in Mozambique ("IRPC") at a rate of 32%.

Corporate income tax is levied on CTT and its subsidiaries CTT – Expresso, S.A., Payshop Portugal, S.A, CTT Contacto, S.A. and Banco CTT, S.A., 321 Crédito – Instituição Financeira de Crédito, S.A., CTT Soluções Empresariais, S.A. and CTT IMO – Sociedade Imobiliária, S.A. as a result of the option for the Special Regime for the Taxation of Groups of Companies ("RETGS") application. The remaining companies are taxed individually. The entities 321 Crédito – Instituição Financeira de Crédito S.A. and CTT Soluções Empresariais, S.A. integrated the RETGS in the previous financial year. The entity CTT IMO – Sociedade Imobiliária, S.A. integrated the RETGS in this financial year.

Reconciliation of the income tax rate

For the years ended 31 December 2021 and 31 December 2022, the reconciliation between the nominal rate and the effective income tax rate of the **Group** and the **Company** was as follows:

	Group		Company	
	2021	2022	2021	2022
Earnings before taxes (a)	50,807,500	46,713,834	42,824,969	40,451,600
Nominal tax rate	21.0%	21.0%	21.0%	21.0%
	10,669,575	**9,809,905**	**8,993,243**	**8,494,836**
Tax Benefits	(282,207)	(275,859)	(213,856)	(219,035)
Accounting capital gains/(losses)	(85,469)	(68,426)	(207,339)	(57,513)
Tax capital gains/(losses)	136,741	33,797	139,305	28,341
Equity method	529,493	—	(4,634,486)	(3,911,190)
Provisions not considered in the calculation of deferred taxes	(99,550)	590,249	7,739	31,862
Impairment losses and reversals	606,781	314,700	601,841	291,280
Compensation for insurable events	139,276	101,091	110,238	77,990
Depreciation and car rental charges	29,084	34,234	22,763	26,332
Credits uncollectible	51,138	46,749	23,576	31,414
Difference between current and deferred tax rates	(13,378)	116,890	(13,378)	116,890
Fines, interest, compensatory interest and other charges	18,912	188,584	12,876	162,038
Other situations, net	(846,310)	612,232	277,632	(483,784)
Adjustments related with - autonomous taxation	794,710	586,707	698,546	429,686
Adjustments related with - undistributed variable remuneration	92,848	1,426	90,619	—
Tax losses without deferred tax	9,539	—	—	—
SIFIDE tax credit	(2,386,565)	(2,916,626)	(2,227,666)	(2,290,385)
Insuficiency / (Excess) estimated income tax	118,260	(774,540)	(19,099)	(559,139)
Subtotal (b)	9,482,879	8,401,114	3,662,554	2,169,623
(b)/(a)	18.66%	17.98%	8.55%	5.36%
Adjustments related with - Municipal Surcharge	792,698	636,612	387,033	269,935
Adjustments related with - State Surcharge	1,940,620	1,333,922	1,095,110	704,784
Income taxes for the period	**12,216,197**	**10,371,649**	**5,144,697**	**3,144,342**
Effective tax rate	24.04%	22.20%	12.01%	7.77%
Income taxes for the period				
Current tax	15,566,307	7,475,153	7,689,772	5,183,499
Deferred tax	(1,081,805)	6,587,663	(298,309)	810,367
SIFIDE tax credit	(2,386,565)	(2,916,626)	(2,227,666)	(2,290,385)
Insuficiency / (Excess) estimated income tax	118,260	(774,540)	(19,099)	(559,139)
	12,216,197	**10,371,649**	**5,144,697**	**3,144,342**

For the period ended 31 December 2022, the caption “SIFIDE Tax Credit” refers to the reimbursement of SIFIDE for the year 2018 and 2019, as well as the Tax Credit for 2020.

In 2021, the **Group** also recognized a tax credit in the amount of 1,120,914 Euros, the amount of which is reflected in the caption “SIFIDE Tax Credit”, as a result of contributions to the TechTree Fund. This credit was recognized under IFRIC 23 standard, considering its specificities and estimation of the probability of its effective attribution.

For the period ended 31 December 2022, the caption “SIFIDE Tax Credit” incudes: i) SIFIDE tax credit for 2021 (1,528,260 Euros), ii) SIFIDE tax credit from Banco CTT for 2020 and 2021, in the amounts of

308,012 Euros and 318,229 Euros, respectively, and iii) SIFIDE tax credit for to the year 2022 in the amount of 762,125 Euros, recognized under with IFRIC 23 standards, considering its specificities and estimation of the probability of its effective attribution. The Insufficiencies / (Excess) estimation income tax cpation essentially books the excess estimate of IRC for the 2020 financial year, related to the reimbursement of CFEI in 2022 in the net amount of (420,944) Euros.

Deferred taxes

As at 31 December 2021 and 31 December 2022, the balance of the **Group** and the **Company** deferred tax assets and liabilities was composed as follows:

	Group		Company	
	31.12.2021	**31.12.2022**	**31.12.2021**	**31.12.2022**
Deferred tax assets				
Employee benefits - healthcare	73,832,987	53,302,302	73,787,451	53,302,302
Employee benefits - pension plan	68,583	51,604	—	—
Employee benefits - other long-term benefits	4,208,731	5,090,460	4,204,763	4,327,641
Impairment losses and provisions	4,139,032	2,400,419	2,848,123	1,272,789
Tax losses carried forward	2,078,911	2,765,595	—	—
Impairment losses in tangible fixed assets	481,187	1,594,826	481,187	1,594,826
Long-term variable remuneration (Board of diretors)	455,400	1,049,729	455,400	1,049,729
Land and buildings	343,652	332,610	343,652	332,610
Tangible assets' tax revaluation regime	1,282,862	962,147	1,282,862	962,147
Other	363,742	273,917	12,568	2,514
	87,255,087	**67,823,608**	**83,416,006**	**62,844,558**
Deferred tax liabilities				
Revaluation of tangible fixed assets before IFRS	1,684,213	1,519,019	1,684,213	1,519,019
Suspended capital gains	658,042	631,893	658,042	631,893
Non-current assets held for sale	42,718	—	—	—
New Spring Services - PPA Movements	—	387,300		—
Fair Value adjustments	—	7,108,430	—	—
Other	42,540	200,835	—	—
	2,427,513	**9,847,476**	**2,342,255**	**2,150,912**

The deferred tax asset related to Tangible assets tax revaluation regime was recognized following the Companies' accession to the regime established in Decree-Law no. 66/2016, of 3 November. In the year ended 31 December 2022 the deferred tax asset amounts to 962,147 Euros.

The deferred tax liability relating to "fair value adjustments" essentially refers to the deferred tax associated with the item "Financial assets and liabilities at fair value through profit or loss" (note 15), whose amount in the current period resulted in the recognition of the respective deferred tax .

As at 31 December 2022, the expected amount of deferred tax assets and liabilities to be settled within 12 months is 3.6 million Euros and 0.3 million Euros, respectively, regarding the **Group** and the **Company**.

During the years ended 31 December 2021 and 31 December 2022, the movements which occurred under the deferred tax headings of the **Group** and the **Company** were as follows:

	Group		Company	
	2021	**2022**	**2021**	**2022**
Deferred tax assets				
Opening balances	87,891,869	87,255,087	84,780,644	83,416,006
Effect on net profit				
Employee benefits - healthcare	(745,695)	(414,767)	(771,036)	(369,231)
Employee benefits - pension plan	3,037	(11,597)	—	—
Employee benefits - other long-term benefits	1,022,295	359,712	1,022,295	(423,302)
Impairment losses and provisions	(797,419)	(1,738,614)	(381,023)	(1,575,334)
Tax losses carried forward	1,291,917	686,684	—	—
Impairment losses in tangible fixed assets	72,431	1,113,639	72,431	1,113,639
Stock options plan	401,422	594,329	401,422	594,329
Land and buildings	(12,118)	(11,042)	(12,118)	(11,042)
Tangible assets' tax revaluation regime	(320,715)	(320,715)	(320,715)	(320,715)
Other	(154,405)	(89,819)	(10,054)	(10,054)
Effect on equity				
Employee benefits - healthcare	(1,390,302)	(19,593,906)	(1,365,840)	(19,569,738)
Employee benefits - pension plan	(7,230)	(5,383)	—	—
Closing balance	**87,255,087**	**67,823,608**	**83,416,006**	**62,844,558**

	Group		Company	
	2021	**2022**	**2021**	**2022**
Deferred tax liabilities				
Opening balances	2,793,698	2,427,513	2,639,362	2,342,255
Effect on net profit				
Revaluation of tangible fixed assets before IFRS adoption	(270,958)	(165,194)	(270,958)	(165,194)
Suspended capital gains	(26,149)	(26,149)	(26,149)	(26,149)
Non-current assets held for sale	(40,292)	(42,718)	—	—
PPA Movements - NewSpring Services	—	(134,713)	—	—
Fair value adjustments	—	7,108,430	—	—
Other	16,344	15,818	—	—
Effect on equity				
Fair Value Reserve	(13,384)	—	—	—
Other	(31,746)	142,477	—	—
Others				
PPA Movements - New Spring Services	—	522,013		—
Closing balance	**2,427,513**	**9,847,476**	**2,342,255**	**2,150,912**

The tax losses carried forward are related to the losses of the subsidiaries Tourline and Transporta which were merged by incorporation into CTT Expresso, S.A., in 2019, and are detailed as follows:

	31.12.2021		31.12.2022	
Group	**Tax losses**	**Deferred tax assets**	**Tax losses**	**Deferred tax assets**
CTT – Expresso, S.A., branch in Spain	75,434,282	—	77,006,639	
CTT Expresso/Transporta	13,747,683	2,075,283	13,133,872	2,758,113
Total	**89,181,965**	**2,075,283**	**90,140,511**	**2,758,113**

Regarding CTT – Expresso, S.A., branch in Spain (prior Tourline), the tax losses of the years 2008, 2009 and 2011 may be reported in the next 15 years, the tax losses related to 2012, 2013 and 2014 may be carried forward in the next 18 years and the tax losses of the years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 have no time limit for deduction. No deferred tax assets associated with CTT Expresso branch in Spain's tax losses were recognized, given its losses history.

Regarding to CTT Expresso/ Transporta, the tax losses presented refer to the losses of Transporta for the years 2014 and 2015 and 2017 and 2018, since in 2019 this company was incorporated into CTT Expresso, which can be reported in the next 14 years (previously 12 years, but extended to 14 years under exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic), for the years 2014 and 2015 and 7 years (previously 5 years, but extended to 7 years within the scope of exceptional measures approved to deal with adverse consequences caused by the COVID Pandemic) for the years 2017 and 2018. The recognition of deferred tax assets related to Transporta's tax losses is supported by the estimate of future taxable profits of CTT Expresso, based on the company's 8-year business plan (ie, until 2030). The main assumptions used in the preparation of the company's business plan are disclosed in note 9 - Goodwill (impairment tests with a timeliness of 5 years), and the growth for the 8-year plan was subsequently projected, based on the results background, experience and future growth prospects of this business unit.

It should be noted that, following the acquisition of Transporta, a request was made to maintain the tax losses that had been determined with reference to the periods of 2014 and 2015 (in the amounts of 4,536,810 Euros and 3,068,088 Euros, available for reporting until 2028 and 2029, respectively), for which a favourable response was obtained from the Tax Authority during 2021.

It should be noted that, following the acquisition of HCCM – Outsourcing Investment, S.A, a request was made to maintain the tax losses that had been determined with reference to the periods from 2015 to 2020 (in the total amount of 1,300,311 Euros), in relation to which awaits a favourable response from the Tax and Customs Authority during the period of 2023.

Law No. 24-D/2022, of December 30 – "OE 2023" – includes a rule, identified as promoting the principle of solidarity between financial years (logic of continuity of business cycles), which determines the end of time limit for reporting tax losses calculated in previous years.

Despite being a rule for application to financial years beginning on or after 1 January 2023, the calculation of deferred tax on 31 December 2022 in respect of tax losses was considered rational.

In another sense, the percentage of the amount of deductible tax losses in each financial year is reduced from 70% to 65%, therefore it is expected that Companies will take longer to take advantage of the deduction of tax losses.

The sensitivity analysis performed allows us to conclude that a 1% reduction in the underlying rate of deferred tax would imply an increase in the income tax for the period of about 2.45 million Euros in the **Group** and 2.25 million euros in the **Company**.

<u>SIFIDE</u>

Until 2021, the Group recognized the tax credit related to SIFIDE upon the actual receipt of the declaration from the certifying commission of the expenses eligibility presented in the application.

Currently, and considering the history associated with this reality, the Group started to recognize, in the period to which the investments relate, an estimate of the tax credit that was submitted for certification by the competent authority (ANI - National Innovation Agency).

Regarding to R&D expenses incurred by the **Group** and the **Company** in the 2019 financial year, during the 2021 period, a tax credit of 753,235 Euros and 594,336 Euros, respectively, was attributed by the Certifying Committee.

Regarding to R&D expenses incurred by the **Group** and the **Company** in the 2020 financial year, with the submission of the application, these amounted to approximately 5,304,741 Euros and 2,863,555 Euros, respectively, with the **Group** and the **Company** the possibility of benefiting from an income tax deduction estimated at 3,850,195 Euros and 1,889,956 Euros respectively. At the beginning of 2023, the Certifying Commission granted a tax credit of 1,889,956 Euros to the **Group** and the **Company**.

In the course of 2022, the Certifying Commission granted, in relation to the financial year of 2020, a tax credit of 310,239 Euros for the **Group**, and the Group is awaiting receipt of the declarations relating to the remaining amount. In 2022, the attribution of any tax credit to the **Company** has not yet been deferred/decided by the certifying commission. On 2 March 2023, the National Innovation Agency decision was issued regarding the application process for CTT - Correios de Portugal, S.A. to SIFIDE II of 2020, consubstantiating the total approval of the tax credit requested in the amount of 1,889,956 Euros..

Regarding R&D expenses incurred by the **Group** and the **Company** in the financial year of 2021, with the submission of the application, these amounted to 6,474,190 Euros and 5,350,184 Euros respectively, with the **Group** and the **Company** having the possibility of benefiting from a deduction to collection based on IRC estimated at 3,816,703 Euros and 3,238,810 Euros. On 1 March 2023, the “ANI” decision was issued regarding the Banco CTT, S.A. application process to SIFIDE II of 2021, consubstantiating the total approval of the tax credit requested in the amount of 454,612 Euros.

As for the 2022 financial year, the **Group** and the **Company** are still identifying and quantifying the expenses incurred with R&D that will be included in the applications that will be submitted during the course of 2023.

Other information

Pursuant to the legislation in force in Portugal, income tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there have been tax losses, tax benefits have been received, or when inspections, claims or challenges are in progress, in which cases, depending on the circumstances, these years are extended or suspended. Therefore, CTT's income tax returns from 2019 and onwards may still be reviewed and corrected.

The Board of Directors of the Company believes that any corrections arising from reviews/inspections by the tax authorities of these income tax returns will not have a significant effect on the consolidated financial statements as at 31 December 2022.

53. Related parties

GRI 207-4

The Regulation on Assessment and Control of transactions with CTT related parties defines related party as: qualified shareholder, manager, subsidiaries companies’ managers or third party with any of these related through relevant commercial or personal interest (under the terms of IAS 24) and also subsidiaries, associates and joint ventures of CTT. It is considered that there is a “relevant commercial or personal interest” in relation to (i) close family members of the managers, subsidiaries companies’ managers and qualified shareholders who, at each moment, have significant influence on CTT, as well as (ii) controlled entities (individually or jointly), either by management, subsidiaries companies’ managers qualified shareholders or by the persons referred to in (i). For this purpose, “control” is considered to exist when an investor is exposed or holds rights in relation to variable results through its relationship with it and has the capacity to affect those results through the power it exercises over the investee.. Additionally, “close family members” are: (i) the spouse or domestic partner and (ii) the children and dependents of the person and persons referred to in (i).

According to the Regulation, the significant transactions with related parties, as well as transactions that members of the Board of Directors of CTT and/or its subsidiaries conduct with CTT and/or its subsidiaries, must be previously approved by resolution of Board of Directors, preceded by a prior favorable opinion of Audit Committee , except when included in the normal company´s business and no special advantage is granted to the director directly or by an intermediary. Significant transaction is any transaction with a related party whose amount exceeds one million Euros, and / or carried out outside current activity scope of CTT and / or subsidiaries and / or outside market conditions.

The other related parties' transactions are approved by Executive Committee, to the extent of the related delegation of powers, and subject to subsequent examination by the Audit Committee.

During the years ended 31 December 2021 and 31 December 2022, the following transactions took place and the following balances existed with related parties, regarding the **Group:**

	2021					
Group	**Accounts receivable**	**Accounts payable**	**Revenues**	**Costs**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	12,750,000	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly controlled	257,998	—	1,104,799	377,459	—	1,789,528
Members of the (Note 45)						
Board of Directors	—	—	—	4,090,171	—	—
Audit Committee	—	—	—	141,429	—	—
Remuneration Committee	—	—	—	19,800	—	—
General Meeting	—	—	—	14,000	—	—
	257,998	**—**	**1,104,799**	**4,642,859**	**12,750,000**	**1,789,528**

	2022					
Group	**Accounts receivable**	**Accounts payable**	**Revenues**	**Costs**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	17,656,441	—
Group companies						
Associated companies	—	—	—	—	—	—
Jointly venture	210,088	79,868	484,988	256,819	—	—
Members of the (Note 45)						
Board of Directors	—	—	—	4,091,109	—	—
Audit Committee	—	—	—	153,214	—	—
Remuneration Committee	—	—	—	19,800	—	—
General Meeting	—	—	—	14,000	—	—
	210,088	**79,868**	**484,988**	**4,534,942**	**17,656,441**	**—**

During the years ended 31 December 2021 and 31 December 2022, the following transactions took place and the following balances existed with related parties, regarding the **Company**:

Company	2021										
	Accounts receivable	**Shareholders and Group companies (DB)**	**Rights-of-Use**	**Lease liabilities**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	—	—	—	—	—	12,750,000	—
Group companies											
Subsidiaries	28,296,849	59,967,805	140,883	141,275	3,389,371	23,551,847	44,659,307	5,753,706	852,110	—	12,275,500
Associated companies	—	—	—	—	—	—	—	—	—	—	—
Joint Ventures	111,593	—	—	—	—	—	272,294	60,679	—	—	1,789,528
Other related parties	216,222	—	—	—	625,019	—	1,118,759	3,130,482	—	—	—
Members of the (Note 45)											
Board of Directors	—	—	—	—	—	—	—	4,090,171	—	—	—
Audit Committee	—	—	—	—	—	—	—	141,429	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	19,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	28,624,664	**59,967,805**	**140,883**	**141,275**	**4,014,390**	**23,551,847**	**46,050,361**	**13,210,267**	**852,110**	**12,750,000**	**14,065,028**

DB - Debit balance; CB - Credit balance

Company	2022										
	Accounts receivable	**Shareholders and Group companies (DB)**	**Rights-of-Use**	**Lease liabilities**	**Accounts payable**	**Shareholders and Group companies (CB)**	**Revenues**	**Costs**	**Interest income**	**Dividends**	**Financial investments / Increase in share capital**
Shareholders	—	—	—	—	—	—	—	—	—	17,656,441	—
Group companies											
Subsidiaries	27,977,210	50,735,671	455,740	458,243	2,914,005	13,244,405	44,351,747	5,308,891	1,324,164	—	7,200,000
Joint Ventures	71,582	—	—	—	—	—	265,794	—	—	—	—
Other related parties	224,308	—	—	—	696,123	—	1,315,018	4,319,503	—	—	—
Members of the (Note 45)											
Board of Directors	—	—	—	—	—	—	—	4,091,109	—	—	—
Audit Committee	—	—	—	—	—	—	—	153,214	—	—	—
Remuneration Committee	—	—	—	—	—	—	—	19,800	—	—	—
General Meeting	—	—	—	—	—	—	—	14,000	—	—	—
	28,273,099	**50,735,671**	**455,740**	**458,243**	**3,610,127**	**13,244,405**	**45,932,559**	**13,906,517**	**1,324,164**	**17,656,441**	**7,200,000**

DB - Debit balance; CB - Credit balance

Regarding the **Company,** as at 31 December 2021 and 31 December 2022, the nature and detail, by company of the Group**,** of the main debit and credit balances was as follows:

Company	2021							
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Right of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	832,324	—	832,324	—	—	—	11,796,267	11,796,267
CTT Expresso,S.A.	26,085,362	39,830,001	65,915,363	140,883	141,275	2,938,595	10,971,080	13,909,676
CTT Contacto, S.A.	251,049	749,999	1,001,048	—	—	450,775	711,510	1,162,286
CORRE - Correio Expresso Moçambique, S.A.	686,979	—	686,979	—	—	—	—	—
CTT Soluções Empresariais, S.A.	441,136	14,700,000	15,141,136	—	—	—	72,988	72,988
CTT IMO - Sociedade Imobiliária, S.A.	—	4,687,804	4,687,804	—	—	—	—	—
Joint Ventures								
NewPost, ACE	111,593	—	111,593	—	—	—	—	—
Other related parties								
Payshop Portugal, S.A.	190,712	—	190,712	—	—	625,019	—	625,019
321 Crédito – Instituição Financeira de Crédito, S.A.	25,191	—	25,191	—	—	—	—	—
NewSpring Services, S.A.	319	—	319	—	—	—	—	—
	28,624,664	59,967,805	88,592,469	140,883	141,275	4,014,390	23,551,847	27,566,236

DB - Debit balance; CB - Credit balance

Company	2022							
	Accounts receivable	Shareholders and Group companies (DB)	Total accounts receivable	Right of use	Lease liabilities	Accounts payable	Shareholders and Group companies (CB)	Total accounts payable
Subsidiaries								
Banco CTT, S.A.	818,806	—	818,806	—	—	17,618	12,412,010	12,429,628
CTT Expresso,S.A.	25,588,567	36,122,277	61,710,844	75,652	76,139	2,608,323	—	2,608,323
CTT Contacto, S.A.	327,199	—	327,199	—	—	258,455	729,386	987,841
CORRE - Correio Expresso Moçambique, S.A.	810,031	80,017	890,048	—	—	—	—	—
CTT Soluções Empresariais, S.A.	429,886	14,500,000	14,929,886	—	—	—	103,009	103,009
CTT IMO - Sociedade Imobiliária, S.A.	2,721	33,377	36,098	380,088	382,104	29,608	—	29,608
Joint Ventures								
NewPost, ACE	71,582	—	71,582	—	—	—	—	—
Other related parties								
Payshop Portugal, S.A.	162,666	—	162,666	—	—	377,502	—	377,502
321 Crédito – Instituição Financeira de Crédito, S.A.	42,399	—	42,399	—	—	—	—	—
NewSpring Services, S.A.	448	—	448	—	—	318,620	—	318,620
Open Lockers, S.A.	18,795	—	18,795	—	—	—	—	—
	28,273,099	50,735,671	79,008,771	455,740	458,243	3,610,127	13,244,405	16,854,533

DB - Debit balance; CB - Credit balance

As far as the **Company** is concerned, during the years ended 31 December 2021 and 31 December 2022, the nature and detail, by company of the **Group**, of the main transactions was as follows:

	2021									
Company	**Assets acquired**	**Services to be reinvoiced**	**Assets sold**	**Sales and services rendered**	**Other operating revenues**	**Supplies and external services**	**Other operating costs**	**Depreciation of rights of use / Interest on lease liabilities**	**Interest Income**	**Financial investments / Increase in share capital**
Subsidiaries										
Banco CTT, S.A.	—	—	—	1,324,512	3,907,622	—	152	—	—	10,000,000
CTT Expresso,S.A.	410,800	77,316	672,861	388,411	36,198,449	1,869,753	—	52,232	739,907	—
CTT Contacto, S.A.	—	67,913	20,512	1,447	2,238,000	3,831,570	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	222,581	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	52,019	5,139	373,146	—	—	—	112,203	—
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	—	—	—	—	—	250,000
Open Lockers, S.A.	—	—	—	—	—	—	—	—	—	25,500
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	2,000,000
Joint Ventures										
NewPost, ACE	—	—	—	—	—	—	—	—	—	—
Mktplace - Comércio Eletrónico, S.A	—	—	—	—	272,294	58,779	1,900	—	—	1,789,528
Other related parties										
Payshop Portugal, S.A.	—	—	173,110	187,233	634,791	3,127,982	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	266,424	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	30,310	—	2,500	—	—	—	—
HCCM - Outsourcing Investment, S.A.	—	—	—	—	—	—	—	—	—	—
	410,800	**145,229**	**918,502**	**2,203,477**	**43,846,884**	**8,890,583**	**2,052**	**52,232**	**852,110**	**14,065,028**

	2022										
Company	**Assets acquired**	**Services reinvoiced**	**Assets sold**	**Sales and services rendered**	**Other operating revenues**	**Supplies and external services**	**Other operating costs**	**Depreciation of rights of use / Interest on lease liabilities**	**Interest Income**	**Interest incurred**	**Financial investments / Increase in share capital**
Subsidiaries											
Banco CTT, S.A.	—	—	—	1,417,126	4,610,294	—	86,011	—	—	124,600	—
CTT Expresso,S.A.	274,887	59,795	781,777	488,337	34,428,359	1,858,416	—	66,034	970,592	—	—
CTT Contacto, S.A.	—	45,063	11,892	1,082	2,511,279	2,875,730	—	—	—	—	—
CORRE - Correio Expresso Moçambique, S.A.	—	—	—	—	239,716	—	—	—	—	—	—
CTT Soluções Empresariais, S.A.	—	—	—	8,998	644,343	—	—	—	353,572	—	—
CTT IMO - Sociedade Imobiliária, S.A.	—	—	—	—	2,212	—	—	298,099	—	—	7,150,000
Fundo Techtree, FCR	—	—	—	—	—	—	—	—	—	—	—
CTT IMO YIELD, S.A.	—	—	—	—	—	—	—	—	—	—	50,000
Joint Ventures											
NewPost, ACE	—	—	—	—	265,794	—	—	—	—	—	—
Other related parties											
Payshop Portugal, S.A.	—	—	60,200	218,304	666,472	3,457,475	—	—	—	—	—
321 Crédito – Instituição Financeira de Crédito, S.A.	—	—	—	417,415	713	—	—	—	—	—	—
NewSpring Services, S.A.	—	—	—	12,113	—	862,027	—	—	—	—	—
Open Lockers, S.A.	—	—	—	—	—	—	—	—	—	—	—
	274,887	**104,859**	**853,868**	**2,563,375**	**43,369,184**	**9,053,649**	**86,011**	**364,134**	**1,324,164**	**124,600**	**7,200,000**

In the context of transactions with related parties, no commitments were made, nor were any guarantees given or received.

No provision was recognized for doubtful debts or expenses recognized during the period in respect of bad or doubtful debts owed by related parties.

The remunerations attributed to the members of the statutory bodies of CTT, S.A. are disclosed in note 45 – Staff Costs.

54. Fees and services of the external auditors

The audit and legal review fees recorded in 2022 related to all companies' annual accounts that integrate the **Group**, amounted to 739,226 Euros. In addition, other assurance services fees, which include the half-yearly review, and other non-review or audit services amounted to 372,876 Euros.

The information concerning the fees and services provided by the external auditors is detailed in chapter 5.2.2.5 section 47 of the Integrated Report.

55. Information on environmental matters

The environmental responsibility is one of the relevant topics identified in the course of CTT stakeholders' materiality exercise and mapping and integrates the Sustainability strategy of the **Group**, from a perspective of risk and opportunity management, as presented in more detail in chapters 4 and 5.1 of the Integrated Report.

To the extent of our knowledge, there are no current environmental liabilities or obligations, whether legal or constructive, related to environmental matters that should lead to the constitution of provisions.

56. Provision of insurance mediation service

In accordance with the Regulatory Standard of the Instituto de Seguros de Portugal (Portuguese Insurance Institute) no. 15/2009-R of 30 December 2009, the **Group** and the **Company** disclose the relevant information regarding the activity of insurance mediation according to article 4 of the above-mentioned Regulatory Standard.

a) Description of the accounting policies adopted for the recognition of revenue

   The accounting policies adopted for the recognition of revenue regarding the provision of insurance mediation services is detailed in Note 2.29.

b) Indication of total revenue received detailed by nature

	Group		Company	
By nature	**2021**	**2022**	**2021**	**2022**
Cash	7,166,037	8,844,304	1,197,302	694,049
Total	**7,166,037**	**8,844,304**	**1,197,302**	**694,049**

	Group		Company	
By type	**2021**	**2022**	**2021**	**2022**
Commissions	7,166,037	8,844,304	1,197,302	694,049
Total	**7,166,037**	**8,844,304**	**1,197,302**	**694,049**

c) Indication of total revenues relating to insurance contracts intermediated by the **Company** detailed by Branch Life and Non-Life

	Group		Company	
	2022		2022	
By entity	**Branch Life**	**Branch Non-Life**	**Branch Life**	**Branch Non-Life**
Insurance Companies	7,588,723	1,255,582	80,400	82,035
Total	**7,588,723**	**1,255,582**	**80,400**	**82,035**

d) Indication of the existence of concentration levels at the level of insurance companies, other mediators, which are equal or greater than 25% of the total remuneration earned by the portfolio

	Group		Company	
By entity	**2021**	**2022**	**2021**	**2022**
Insurance Companies	—	—	—	—
FIDELIDADE	22.45%	—%	73.61%	44.79%
ZURICH	41.43%	47.09%	—	—
MAFRE	—	—	—	38.71%
Other mediators	—	—	—	—
Customers (other)	—	—	—	—

e) Values of customers' accounts, at the beginning at the end of the year, as well as the volume handled over the year applicable to insurance intermediaries that handle funds related to insurance contracts

	Group		Company	
Accounts 'Customers'	**2021**	**2022**	**2021**	**2022**
Open Balance	—	—	—	—
Closing Balance	—	—	—	—
Volume handled				
Debt	208,208,154	89,463,987	201,892,159	82,674,487
Credit	44,298,592	27,248,927	38,347,543	20,181,468

f) Accounts receivable and payable broken down by source

	Group			
	Accounts receivable		Accounts payable	
By entity	**2021**	**2022**	**2021**	**2022**
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	7,037,050	2,207,724	2,495,600	1,658,565
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**7,037,050**	**2,207,724**	**2,495,600**	**1,658,565**

By entity	Company			
	Accounts receivable		Accounts payable	
	2021	2022	2021	2022
Policyholders, insureds or beneficiaries	—	—	—	—
Insurance companies	5,844,314	1,292,947	777,458	200,127
Reinsurance undertakings	—	—	—	—
Other mediators	—	—	—	—
Customers (other)	—	—	—	—
Total	**5,844,314**	**1,292,947**	**777,458**	**200,127**

g) Indication of the aggregate amounts included in accounts receivable and payable

By entity	Group			
	Accounts receivable		Accounts payable	
	2021	2022	2021	2022
Funds received in order to be transferred to insurance companies for payment of insurance premiums	40,071,637	22,109,894	38,728,375	22,919,149
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	203,061,528	289,699,297	201,892,159	82,674,487
Remuneration in respect of insurance premiums already collected and to be collected	7,166,037	8,844,304	—	—
Other mediators	—	—	—	—
Total	**250,299,202**	**320,653,495**	**240,620,534**	**105,593,636**

By entity	Company			
	Accounts receivable		Accounts payable	
	2021	2022	2021	2022
Funds received in order to be transferred to insurance companies for payment of insurance premiums	38,347,543	20,181,468	37,819,925	20,753,248
Collecting funds in order to be transferred to insurance companies for payment of insurance premiums	—	—	—	—
Funds entrusted to it by insurance companies in order to be transferred to policyholders, insureds or beneficiaries (or insurance companies in case the activity of reinsurance mediation)	203,061,528	289,699,297	201,892,159	82,674,487
Remuneration in respect of insurance premiums already collected and to be collected	1,197,302	694,049	—	—
Other mediators	—	—	—	—
Total	**242,606,373**	**310,574,814**	**239,712,084**	**103,427,735**

Note: The remaining paragraphs of the standard do not apply.

The amounts presented above are amounts moved during the year 2021 and 2022.

57. Other information

On 23 December 2021, the Council of Ministers communicated the approval on that date of the decree amending the legal framework applicable to the provision of postal services in Portugal. The corresponding decree was promulgated on 5 February 2022 and Decree-Law no. 22-A/2022 was published on 7 February 2022. The new concession agreement thus came into force and will have a duration of approximately seven years – until 31 December 2028.

This framework improves the decision-making mechanisms and provides clear criteria to guarantee the provision of the universal postal service under sustainable economic conditions, promoting a better balance between the continuity of the postal service provision and the reinforcement of the Company's capacity to face the challenges of digital transition, pursuing the consistent implementation of its transformation process. For reasons of general interest, only the following activities and services have remained reserved to the concessionaire: sitting of letter boxes on the public highway intended for the deposit of postal items, issue and sale of postage stamps bearing the word Portugal and the registered mail service used in court or administrative proceedings.

Pursuant to the new Concession Agreement and Decree-Law no. 22-A/2022 published on 7 February 2022, the first year of the agreement is the transition period, hence, the prices of the services included in the universal postal service offer shall respect a maximum annual average variation of 6.80%, which considers the decline in mail volumes observed in the first nine months of 2021 and the variation of the Consumer Price Index for the Transport expense category, as communicated by the National Statistics Institute for the month of October 2021. The special prices of the postal services included in the universal postal service offer applicable to bulk mail senders were also updated on 7 March 2022. These updates correspond to an average annual price variation of 5.84% for the year 2022.

On 27 July 2022, a Convention was signed between the sector regulator (ANACOM), the Directorate-General for the Consumer (DGC) and the universal service provider (CTT), defining the criteria to be applied to the pricing of postal services included in the basket of the universal postal service for the three-year period 2023-2025, in accordance with the provisions of article 14(4) of Law no. 17/2012 of 26 April (Postal Law), as amended by Decree-Law no. 22-A/2022 of 7 February, which has been notified to the Government.

The scope of the Convention thus covers the services of letter mail, parcels, and newspapers and periodicals which are part of the universal postal service offer, including registered mail services used in legal or administrative proceedings, and not applying to special prices of postal services included in the universal service offer applicable to bulk mail senders (subject to the specific regime provided for in article 14-A of the Postal Law).

The main features of the pricing of the services covered by the Convention are as follows:

- The maintenance of a maximum annual variation of the prices of the basket of services covered by the Convention, which will be ascertained as per the following formula:
  $CPI - \Delta Volumes * (1 - VC) - E + K$.

  The referred maximum annual price variation thus takes into consideration historical figures relative to the inflation rate (CPI) in the last 12 months, the variation in volumes (∆Volumes) excluding an indicator of the weight of variable costs (VC) in total costs associated to the universal postal service (value defined at 16% for each year) and an efficiency factor (E) associated to CTT's activity within the USO (value defined at 0.5 percentage points for each year). In the event of significant contextual changes related to the conditions for the provision of the universal postal service, the application of an additional factor (K) is foreseen, the value of which shall be determined by agreement, upon proposal of any of the parties that integrate the Convention.

- The definition for each price of a maximum annual variation of 15% and a maximum overall variation of 30% for the period from 2023 to 2025.

- The setting of a maximum annual variation of 4 cents for the price of ordinary domestic mail up to 20 grams, used by the occasional segment.

- The continued application of the principle of uniform tariffs, with the application of a single price throughout the territory, to domestic letter mail items up to 50 grams sent by users in the occasional segment and in registered mail items of the service of judicial and other postal notifications weighing up to 50 grams.

- The provision by CTT, free of charge, in the national and international service, of mail dispatches for the blind and partially sighted, with the exception of airmail surcharges, if any.

As communicated to the market on 26 January 2023, an update of the price of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to an average annual price variation of 6.58%, took effect as from 1 March 2023. The overall average annual variation in prices, also reflecting the effect of updating special bulk mail prices, will be 6.24%.

While some impacts of the COVID-19 pandemic persisted in 2022, CTT continued to periodically report the status of the postal network to the Government, as a counterparty in the agreement, and to ANACOM, the regulatory authority responsible for overseeing the provision of the universal postal service, until 21 February 2022 in the wake of the end of the state of calamity and beginning of the state of alert that was in force until 30 September 2022.

By deliberations of 6 May 2022 and 6 July 2022, ANACOM granted CTT's requests regarding the deduction of the records of mail items in all national flows directly affected by the COVID-19 pandemic in the 2nd half of 2021, for the purposes of calculating the Quality of Service Indicators (QSI) of the year 2021, and in the months of January and February 2022, for the purposes of calculating the QSI of the year 2022.

On 28 June 2022, CTT was notified of ANACOM's decision which granted CTT's application for deferring the date for the entry into force of ANACOM's decision of 29 April 2021 on the delivery of postal items at premises other than the domicile.

By decision dated 25 October 2022, ANACOM approved the declaration of conformity of the results of CTT's cost accounting system for financial year 2019, following the respective audit. It was also decided to maintain in force the determinations approved in 2021, until the approval of a new decision on this matter.

With regard to the legal proceedings relating to ANACOM’s Decision regarding the quality of service parameters and performance targets applicable to the universal postal service provision, of July 2018, CTT was notified of the Government’s appeal against the decision of the Arbitration Court to the South Administrative Central Court, which considered that the Arbitration Court should have considered itself incompetent to judge both of CTT's requests. However, the court acknowledged that ANACOM's decision constituted an abnormal and unnoticeable change in circumstances, causing damages amounting to 1,869,482 Euros. On 19 January 2022, CTT was notified of the appeal of the decision to the Southern Central Administrative Court by the State, considering that the arbitration court should have considered itself incompetent to judge both requests. On 30 August 2021, CTT was notified of the filing of an administrative offence proceeding for the same facts (measurement of quality of service indicators (QSI) relating to events occurred in 2016 and 2017, which has had no developments.

On 6 April 2022, ANACOM decided to impose a fine of €153,750 Euros on CTT for twenty-six administrative offences related to the non-compliance with postal network density targets and minimum service offers that occurred in 2014 and 2015. CTT disagreed with this decision and filed an appeal against it on 6 May and the fine was reduced to €100 thousand. On 8 February 2023 the Lisbon Court of Appeal reduced the fine to €57 thousand. As CTT disagreed with the grounds of the decision that upheld some of the administrative offences, it appealed to the Constitutional Court on 23 February 2023, and is awaiting a decision.

Following the proposal to apply contractual fines in the amount of €753 thousand, on 4 August 2022, CTT requested the constitution of an arbitration court, under the terms of the concession agreement. For the same facts, CTT had already been notified of the filing of an administrative offence proceeding on 30 August 2021, which is running its course, with no developments, following the presentation of the respective defences. The arbitration proceedings for the protection of CTT's rights filed by CTT against the Portuguese State on 11 June 2021 are still ongoing. Specifically: (a) the impacts and contractual effects, namely compensatory (which CTT estimates to be approximately €23 million), of the COVID-19 pandemic, as well as of the public measures adopted in that context; and (b) the legal compatibility, impacts and contractual effects, namely compensatory (which CTT estimates to be approximately €44 million), of the decision to extend the concession agreement. The above mentioned values correspond to the amounts to which CTT, with the data available at the time, considers to be entitled and are subject to update, assessment and decision in the process, which is ongoing.

On 18 January 2022, the companies Vasp Premium – Entrega Personalizada de Publicações, LDA. (Vasp) and Iberomail – Correio Internacional, S.A., (Iberomail) filed a lawsuit against CTT before the Competition, Regulation & Supervision Court, seeking the conviction of CTT for abuse of dominant position, an indemnity estimated at between €69.5 million to €158 million by Vasp and between €9.5 million and €31 million by Iberomail, and the immediate termination of the alleged anti-competitive practices. It should be recalled that, in this context, the lawsuit that was filed with the Competition Authority (AdC) on largely coinciding grounds was closed with the imposition of commitments, which CTT has implemented and reports annually to the AdC. CTT follows the best market practices and considers the request to be totally unfounded.

<u>Strategic Partnership - Generali Seguros</u>

On 6 November 2022, CTT - Correios de Portugal, S.A. and its subsidiary Banco CTT, S.A. entered into a strategic partnership agreement with Generali Seguros, S.A. (Tranquilidade/Generali Seguros).

The transaction concluded between the parties includes:

- Long-term distribution agreements, with 5-years exclusivity renewable periods, for the distribution by CTT and Banco CTT of life and non-life insurance products of Tranquilidade/ Generali Seguros;

- Subscription by Tranquilidade/Generali Seguros of a 25 million euros reserved share capital increase in Banco CTT, in exchange for a shareholding of approximately 8.71%. A Shareholders' Agreement will provide Tranquilidade/Generali Seguros with minority interests with the size of the shareholding.

The agreement aims to combine the experience of Tranquilidade/Generali Seguros in the development and management of insurance products with the distribution capacity of CTT and Banco CTT through their nationwide networks coverage and digital channels. The insurance distribution agreements contemplate a fixed price by Tranquilidade/Generali Seguros of 1 million euros and 9 million euros to

CTT and Banco CTT, respectively, to be settled in the initial six years, and additional contingent payments depending on the performance achieved over the term of the agreements.

The CTT Group expects that the transaction, which is subject to suspensive conditions, including approval by the banking and insurance regulatory authorities, will be completed by the end of 2023.

58. Subsequent events

On 15 January 2023, the new public debt distribution agreement was signed between CTT and IGCP – Portuguese Treasury and Debt Management Agency, entering into force on 20 January 2023, with a duration of three years. This agreement essentially maintains the commercial conditions of the previous one, but now includes additional satisfaction levels of the depositors, including the development of CTT's online channels, in addition to the traditional face-to-face channel of the CTT Retail Network.

As mentioned in Note 52 - Income tax for the perior, on 20 January 2023, the **Group** received approval from the Tax Authority, regarding the tax losses deduction of the entity HCCM – Outsourcing Investment, S.A, which had been calculated with reference to the periods from 2015 to 2020, in the total amount of 1,300,311 Euros.

As communicated to the market on 26 January 2023, an update of the price of the basket of letter mail, editorial mail and parcels services covered by the Universal Postal Service Price Convention, corresponding to an average annual price variation of 6.58%, took effect as from 1 March 2023. The overall average annual variation in prices, also reflecting the effect of updating special bulk mail prices, will be 6.24%.

As disclosed in note 52 - Income tax, on 1 March 2023, the decision of ANI (National Innovation Agency) was issued regarding the application process of Banco CTT, S.A. to SIFIDE II of 2021, consubstantiating the total approval of the tax credit requested in the amount of 454,612 Euros. Subsequently, on 2 March 2023, the ANI decision was issued regarding CTT's application process for SIFIDE II 2020, also consubstantiating the total approval of the requested tax credit in the amount of 1,889,956 Euros.

As disclosed to the market on 7 March 2023, CTT contracted 35 million euros in bank loans in the form of commercial paper, indexed to sustainability goals, maturing in 2026, with two financial institutions - Novo Banco, S.A. and Banco Bilbao Vizcaya Argentaria S.A. - Portuguese Branch.

These bank loans are set within CTT's Sustainability Related Financing Reference Framework that was the subject of a Second Party Opinion disclosed by S&P Global Ratings. Therefore, the referred financing lines are indexed to the goal of reducing carbon emissions of CTT's activity (scopes 1, 2 and 3 emissions) by at least 30% by 2025 in relation to 2013, which is validated by the Science Based Targets initiative and aligned with the best practices of the sector.

With these operations, CTT consolidates the link between its financing cost and its performance in terms of sustainability, reinforcing and demonstrating its strategic relevance and the commitment to achieve ambitious leadership goals regarding ESG (Environment, Social and Governance) indicators.

With the exception of those mentioned above, after 31 December 2022 and up to the present date, no relevant or material facts have occurred in the **Group**'s and **Company**'s activities that have not been disclosed in the notes to the financial statements.